



**Steve Tshwete Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2019**

Audited  
By

2019 -11- 30

Auditor General South Africa  
Mpumalanga Business Unit

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## General Information

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<b>Legal form of entity</b>	Local Municipality
<b>Municipal demarcation code</b>	MP313
<b>Grading of local authority</b>	Grade 4
<b>Capacity of local authority</b>	High capacity
<b>Nature of business and principal activities</b>	<p>The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community:</p> <p>General services - All types of services rendered by the municipality, excluding the supply of housing to the community.</p> <p>Waste management services - The collection, disposal and recycling of waste.</p> <p>Electricity services - Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality.</p> <p>Waste water management - Collection and purification of waste water.</p> <p>Water services - Supply and purifying of water.</p>
<b>Domicile</b>	South Africa
<b>Executive Mayor</b>	Cllr BJ Tolo
<b>Speaker</b>	Cllr AM Mabena
<b>Council Whip</b>	Cllr SD Nkadimeng
<b>Mayoral Committee</b>	Cllr MI Kgalema Cllr DJ Motsepe Cllr SM Malepeng Cllr MTE Mnguni Cllr J Matshiane Cllr NC Mkhuma
<b>MPAC Chairman</b>	Cllr RM Xaba
<b>Councillors</b>	Cllr LK Mahlangu Cllr RG Mamogale Cllr AB Marumo Cllr PM Masilela Cllr M Masina Cllr TP Mnisi Cllr TS Motloun Cllr TE Motsepe Cllr MC Mphego Cllr MJ Sekgwele Cllr DJ Skhosana Cllr J Skosana
<b>Councillors continue</b>	Cllr AM Mahlangu Cllr MN Mathibela



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## General Information

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Cllr TN Morufane  
Cllr TP Motau  
Cllr DL Paul  
Cllr MM Skhosana  
Cllr TR Vilakazi  
Cllr LJJ Zondo  
Cllr EM Bruiners  
Cllr E Du Toit  
Cllr J Dyason  
Cllr AS Grobler  
Cllr P Mobango  
Cllr SM Mogola  
Cllr HF Niemann  
Cllr KJ Phasha  
Cllr JP Pretorius  
Cllr GHE Romijn  
Cllr SJ Roos  
Cllr AO Thabatha  
Cllr HG De Klerk  
Cllr A Struwig  
Cllr DA Stuurman  
Cllr TN Van Zyl  
Cllr S Wait  
Cllr JP Duvenage  
Cllr KPJ Uys  
Cllr P Mailola  
Cllr A Mangcotywa  
Cllr NM Hadebe  
Cllr LC Masemula  
Cllr MC Mosoma  
Cllr NJ Mthombeni  
Cllr E Sebeshe  
Cllr PV Malinga  
Cllr DD Kloppe

**Chief Finance Officer (CFO)**

E Wasserman

**Accounting Officer**

B. Khenisa

**Registered office**

Civic Centre  
Wanderers Avenue  
Middelburg  
1050

**Postal address**

P.O. Box 14  
Middelburg  
1050

**Bankers**

ABSA Bank  
Nelspruit

**Auditors**

Auditor-General of South Africa



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

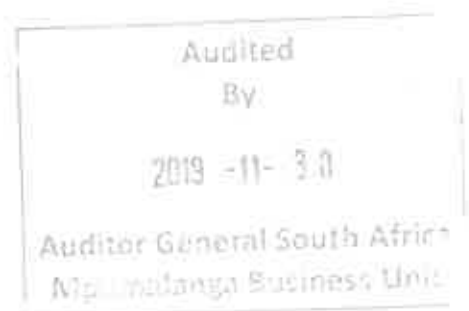
## General Information

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### Attorneys

Van Deventer & Campher Inc  
Mmela Mtsweni Attorneys  
Mohube Setsoalo Mabusela Inc  
Nkgadima MS Attorneys  
Maphanga & Essa Inc

All figures are rounded off to the nearest Rand (R)



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Index

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The reports and statements set out below comprise the annual financial statements presented to the council:

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CIGFARO	Chartered Institute of Governance, Finance, Audit and Risk Officers
COIDA	Compensation for Occupational Injuries and Diseases Act
DBSA	Development Bank of South Africa
EPWP	Expanded Public Works Programme
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
mSCOA	Municipal Standard Chart of Accounts
MSIG	Municipal System Improvement Grant
SALGA	South African Local Government Association



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Officer's Responsibilities and Approval

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the Provincial Treasury for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Provincial Treasury has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 8.

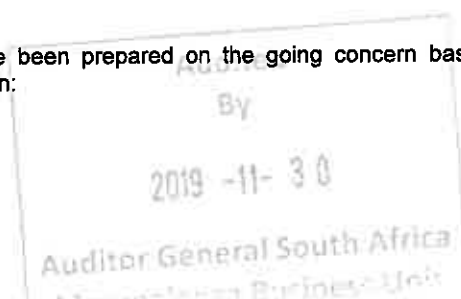
I certify that salaries, allowances and benefits of councillors as disclosed in note 32 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998, and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on pages 8 to 90, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2019 and were signed on:

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**B. Khenisa**  
Municipal Manager

**Middelburg**  
**31 August 2019**



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2019.

### Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 5 times per annum as per its approved terms of reference. During the current year 10 meetings were held.

Name of Member	Number of Ordinary meeting attended	Number of Special meeting attended	Total Meetings held	Number attended	Number not attended
Mudau F (Chairperson)	3	5	10	8	2
Lankalebalele L	3	5	10	8	2
Masite JS	4	5	10	9	1
Mathabathe MG	5	5	10	10	-
Modiga JP	4	5	10	9	1
	<b>19</b>	<b>25</b>	<b>50</b>	<b>44</b>	<b>6</b>

### Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the section 165 MFMA, National Treasury Internal Audit Framework, the King IV Report on Corporate Governance, internal audit provides independent, objective assurance and consulting services designed to add value and improve the Steve Tshwete Local Municipality's (STLM) operations. Internal Audit assist STLM accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

This is achieved by:

- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information.
- Reviewing the systems established by management to ensure compliance with policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether the STLM is in compliance.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets.
- Reviewing operations or programs to ascertain the results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

From various reports of the Internal Audit, the Audit Report on the review of the financial statements, and management report of the Auditor-General South Africa, it was noted that less significant matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was reasonably efficient and effective. The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act was fairly satisfactory. The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

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The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Audit Committee Report

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### Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the external audit.

### Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

### Risk management

Audit Committee received support from the Risk management function in line with section 95 c(i) of the MFMA. This has assisted the committee to operate effectively.

### Auditor-General of South Africa

The audit committee has provided oversight on the implementation of recommendations the Auditor-General of South Africa and are satisfied with the process management took to ensure matters raised are adequately resolved.

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**Chairperson of the Audit Committee**

Date: \_\_\_\_\_





# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	50,672,969	165,282,758
Long term receivables	4	1,023	11,364
Operating lease asset	5	2,957,805	1,530,383
Other receivables from exchange transactions	6	33,668,282	25,661,619
Receivables from non-exchange transactions	7	36,069,855	28,783,534
Receivables from exchange transactions	8	29,823,732	39,303,242
VAT receivable	9	75,921,640	37,581,156
Investments	10	450,000,000	597,711,000
Deposits		2,297,982	2,273,307
Cash and cash equivalents	11	241,747,407	73,070,669
		<b>923,160,695</b>	<b>971,209,032</b>
<b>Non-Current Assets</b>			
Investment property	12	25,417,439	25,895,021
Property, plant and equipment	13	6,647,250,176	6,354,014,232
Intangible assets	14	9,365,625	8,066,598
		<b>6,682,033,240</b>	<b>6,387,975,851</b>
<b>Total Assets</b>		<b>7,605,193,935</b>	<b>7,359,184,883</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Long term liabilities	15	9,346,098	16,827,839
Finance lease obligation	16	5,387,648	1,173,341
Payables from exchange transactions	17	253,681,812	188,927,380
Payables from non-exchange transactions	18	3,347,093	1,284,406
Deposits	19	73,081,386	71,466,164
Employee benefit obligation	20	3,417,085	3,176,696
Unspent conditional grants and receipts	21	-	1,993,207
Provisions	22	1,812,769	2,151,628
Long service awards	23	2,498,263	1,931,022
		<b>352,572,154</b>	<b>288,931,683</b>
<b>Non-Current Liabilities</b>			
Long term liabilities	15	311,824,619	166,206,516
Finance lease obligation	16	6,221,869	3,398,471
Employee benefit obligation	20	97,119,362	88,453,191
Provisions	22	25,001,045	28,193,984
Long service awards	23	21,728,025	18,358,568
		<b>461,894,920</b>	<b>304,610,730</b>
<b>Total Liabilities</b>		<b>814,467,074</b>	<b>593,542,413</b>
<b>Net Assets</b>		<b>6,790,726,861</b>	<b>6,765,642,470</b>
Accumulated surplus		<b>6,790,726,861</b>	<b>6,765,642,470</b>

Auditor General South Africa  
Mpumalanga Business Unit

\* See Note 46

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	24	797,828,333	739,016,390
Sales of goods and rendering of services		7,987,728	11,024,769
Rental of facilities and equipment		17,208,937	16,626,936
Interest received - trading		2,505,559	1,704,664
Income from agency services	25	26,090,102	21,999,471
Licences and permits		8,537,163	8,707,796
Operating income	26	38,392,442	59,019,197
Investment revenue	27	51,871,021	47,049,318
<b>Total revenue from exchange transactions</b>		<b>950,421,285</b>	<b>905,148,541</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	28	358,277,418	332,769,106
Interest received - trading		2,351,151	1,526,053
<b>Transfer revenue</b>			
Transfers and subsidies	29	264,615,609	215,196,765
Public contributions and donations	30	20,664,251	-
Fines, penalties and forfeits		16,819,049	18,772,873
<b>Total revenue from non-exchange transactions</b>		<b>662,727,478</b>	<b>568,264,797</b>
<b>Total revenue</b>		<b>1,613,148,763</b>	<b>1,473,413,338</b>
<b>Expenditure</b>			
Employee related costs	31	(535,930,077)	(468,134,329)
Remuneration of councillors	32	(22,748,100)	(21,891,023)
Depreciation and amortisation	33	(195,010,674)	(150,865,485)
Impairment of assets	34	(28,589,450)	(16,917,013)
Finance costs	35	(21,572,636)	(10,694,434)
Rentals		(260,170)	(284,454)
Bad debts written off		(8,264,210)	(16,877,648)
Bulk purchases	36	(455,592,519)	(420,156,597)
Contracted services	37	(186,241,163)	(142,123,744)
Transfers and subsidies paid	38	(1,927,847)	(1,819,386)
Loss on disposal of assets and liabilities		(4,716,469)	(10,562,861)
Inventories losses/write-downs		(847,234)	(1,536,699)
Operational costs	39	(77,955,553)	(75,621,276)
Inventory consumed	3	(46,747,326)	(40,554,912)
<b>Total expenditure</b>		<b>(1,586,403,428)</b>	<b>(1,378,039,861)</b>
<b>Surplus for the year</b>		<b>26,745,335</b>	<b>95,373,477</b>

Audited  
By  
2019-06-30  
Auditor General South Africa  
Municipal Finance Officer

\* See Note 46

## Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	6,646,312,865	6,646,312,865
Adjustments		
Correction of errors	23,956,127	23,956,127
<b>Balance at 01 July 2017 as restated*</b>	<b>6,670,268,993</b>	<b>6,670,268,993</b>
Changes in net assets		
Surplus for the year	95,373,477	95,373,477
Total changes	95,373,477	95,373,477
<b>Restated* Balance at 01 July 2018</b>	<b>6,763,981,526</b>	<b>6,763,981,526</b>
Changes in net assets		
Surplus for the year	26,745,335	26,745,335
Total changes	26,745,335	26,745,335
<b>Balance at 30 June 2019</b>	<b>6,790,726,861</b>	<b>6,790,726,861</b>
Note(s)		



\* See Note 46

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		1,231,397,374	1,165,261,993
Grants		283,286,653	213,962,250
Interest income		51,871,021	50,280,035
		<u>1,566,555,048</u>	<u>1,429,504,278</u>
<b>Payments</b>			
Employee costs		(541,518,104)	(488,550,417)
Suppliers		(744,131,265)	(675,070,146)
Finance costs		(17,132,253)	(6,682,964)
Grants paid		(1,927,847)	(1,819,386)
		<u>(1,304,709,469)</u>	<u>(1,172,122,913)</u>
<b>Net cash flows from operating activities</b>	<b>41</b>	<b><u>261,845,579</u></b>	<b><u>257,381,365</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	13	(378,183,941)	(263,421,574)
Proceeds / (loss) from sale of property, plant and equipment	13	3,921,166	(2,427,417)
Purchase of other intangible assets	14	(2,372,999)	(1,864,477)
Purchase of investments		147,711,000	(115,711,000)
		<u>(228,924,774)</u>	<u>(383,424,468)</u>
<b>Net cash flows from investing activities</b>			
<b>Cash flows from financing activities</b>			
Raising / (repayment) of long term liabilities		138,136,361	116,268,456
Finance lease payments		(2,380,429)	(1,056,263)
		<u>135,755,933</u>	<u>115,212,193</u>
<b>Net cash flows from financing activities</b>			
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>168,676,738</b>	<b>(10,830,910)</b>
Cash and cash equivalents at the beginning of the year		73,070,669	83,901,579
<b>Cash and cash equivalents at the end of the year</b>	<b>11</b>	<b><u>241,747,407</u></b>	<b><u>73,070,669</u></b>

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Auditor General South Africa  
Financials Business Unit

\* See Note 46

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	799,237,231	18,468,164	<b>817,705,395</b>	797,828,333	<b>(19,877,062)</b>	
Sale of goods and rendering of services	7,176,620	19,896,810	<b>27,073,430</b>	7,987,728	<b>(19,085,702)</b>	
Rental of facilities and equipment	15,989,557	519,955	<b>16,509,512</b>	17,208,937	<b>699,425</b>	
Interest received - trading	1,781,306	442,837	<b>2,224,143</b>	2,505,559	<b>281,416</b>	
Income from agency services	20,331,648	-	<b>20,331,648</b>	26,090,102	<b>5,758,454</b>	
Licences and permits	9,045,690	(8,790)	<b>9,036,900</b>	8,537,163	<b>(499,737)</b>	
Operating income	34,551,234	(1,651,244)	<b>32,899,990</b>	38,392,442	<b>5,492,452</b>	
Investment revenue	35,071,200	1,000,000	<b>36,071,200</b>	51,871,021	<b>15,799,821</b>	
<b>Total revenue from exchange transactions</b>	<b>923,184,486</b>	<b>38,667,732</b>	<b>961,852,218</b>	<b>950,421,285</b>	<b>(11,430,933)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	353,052,280	4,075,018	<b>357,127,298</b>	358,277,418	<b>1,150,120</b>	
Interest received - trading	1,632,721	435,320	<b>2,068,041</b>	2,351,151	<b>283,110</b>	
<b>Transfer revenue</b>						
Transfers and subsidies	253,103,800	11,352,621	<b>264,456,421</b>	264,615,609	<b>159,188</b>	
Public contributions and donations	21,976,767	(85,007)	<b>21,891,760</b>	20,664,251	<b>(1,227,509)</b>	
Fines, penalties and forfeits	21,601,491	199,985	<b>21,801,476</b>	16,819,049	<b>(4,982,427)</b>	
<b>Total revenue from non-exchange transactions</b>	<b>661,367,059</b>	<b>16,977,937</b>	<b>667,344,996</b>	<b>662,727,478</b>	<b>(4,617,518)</b>	
<b>Total revenue</b>	<b>1,574,551,545</b>	<b>54,645,669</b>	<b>1,629,197,214</b>	<b>1,613,148,763</b>	<b>(16,048,451)</b>	
<b>Expenditure</b>						
Employee related costs	(545,555,593)	10,745,611	<b>(534,809,982)</b>	(535,930,077)	<b>(1,120,095)</b>	
Remuneration of councillors	(23,152,857)	(147,487)	<b>(23,300,344)</b>	(22,748,100)	<b>552,244</b>	
Depreciation and amortisation	(162,601,862)	110,587	<b>(162,491,275)</b>	(195,010,674)	<b>(32,519,399)</b>	
Impairment loss/ Reversal of impairments	-	-	-	(28,589,450)	<b>(28,589,450)</b>	
Finance costs	(19,132,479)	(507,307)	<b>(19,639,786)</b>	(21,572,636)	<b>(1,932,850)</b>	
Rentals	(3,002,585)	296,271	<b>(2,706,314)</b>	(260,170)	<b>2,446,144</b>	
Bad debts written off	(20,133,952)	-	<b>(20,133,952)</b>	(8,264,210)	<b>11,869,742</b>	
Bulk purchases	(456,548,422)	(13,767,428)	<b>(470,315,850)</b>	(455,592,519)	<b>14,723,331</b>	
Contracted Services	(193,502,483)	(26,603,702)	<b>(220,106,185)</b>	(186,241,163)	<b>33,865,022</b>	
Transfers and subsidies paid	(1,910,000)	(143,000)	<b>(2,053,000)</b>	(1,927,847)	<b>125,153</b>	
Operational costs	(131,177,110)	(11,877,843)	<b>(143,054,953)</b>	(124,702,879)	<b>18,352,074</b>	
<b>Total expenditure</b>	<b>(1,556,717,343)</b>	<b>(41,894,298)</b>	<b>(1,598,611,641)</b>	<b>(1,580,839,725)</b>	<b>17,771,916</b>	
<b>Operating surplus</b>	<b>17,834,202</b>	<b>12,751,371</b>	<b>30,585,573</b>	<b>32,309,038</b>	<b>1,723,465</b>	
Loss on disposal of assets and liabilities	-	-	-	(4,716,469)	<b>(4,716,469)</b>	
Inventories losses/write-downs	-	-	-	(847,234)	<b>(847,234)</b>	

## Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
			-	(5,563,703)	(5,563,703)	
<b>Surplus before taxation</b>	<b>17,834,202</b>	<b>12,751,371</b>	<b>30,585,573</b>	<b>26,745,335</b>	<b>(3,840,238)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>17,834,202</b>	<b>12,751,371</b>	<b>30,585,573</b>	<b>26,745,335</b>	<b>(3,840,238)</b>	
<b>Reconciliation</b>						



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	170,000,000	-	170,000,000	50,672,969	(119,327,031)	
Long term receivables	-	-	-	1,023	1,023	
Operating lease asset	-	-	-	2,957,805	2,957,805	
Other receivables from exchange transactions	42,775,042	-	42,775,042	33,668,282	(9,106,760)	
Receivables from non-exchange transactions	-	-	-	36,069,855	36,069,855	
VAT receivable	-	-	-	62,187,111	62,187,111	
Receivables from exchange transactions	84,416,166	-	84,416,166	29,823,732	(54,592,434)	
Investments	428,000,000	135,711,000	563,711,000	450,000,000	(113,711,000)	
Deposits	-	-	-	2,297,982	2,297,982	
Cash and cash equivalents	76,971,664	(25,259,156)	51,712,508	241,747,407	190,034,899	
	<b>802,162,872</b>	<b>110,451,844</b>	<b>912,614,716</b>	<b>909,426,166</b>	<b>(3,188,550)</b>	

##### Non-Current Assets

Investment property	26,072,128	-	26,072,128	25,417,439	(654,689)	
Property, plant and equipment	6,542,580,890	20,542,215	6,563,123,105	6,647,250,176	84,127,071	
Intangible assets	12,234,069	(300,000)	11,934,069	9,365,625	(2,568,444)	
	<b>6,580,887,087</b>	<b>20,242,215</b>	<b>6,601,129,302</b>	<b>6,682,033,240</b>	<b>80,903,938</b>	
<b>Total Assets</b>	<b>7,383,049,959</b>	<b>130,694,059</b>	<b>7,513,744,018</b>	<b>7,591,459,406</b>	<b>77,715,388</b>	

#### Liabilities

##### Current Liabilities

Long term liabilities	18,252,479	2,575,361	20,827,840	9,346,098	(11,481,742)	
Finance lease obligation	-	-	-	5,387,648	5,387,648	
Payables from exchange transactions	117,108,938	-	117,108,938	253,681,812	136,572,874	
Payables from non-exchange transactions	-	-	-	3,347,093	3,347,093	
Deposits	96,771,982	-	96,771,982	73,081,386	(23,690,596)	
Employee benefit obligation	-	-	-	3,417,085	3,417,085	
Provisions	13,738,888	-	13,738,888	1,812,769	(11,926,119)	
Long service awards	-	-	-	2,498,263	2,498,263	
	<b>245,872,287</b>	<b>2,575,361</b>	<b>248,447,648</b>	<b>352,572,154</b>	<b>104,124,506</b>	

##### Non-Current Liabilities

Long term liabilities	315,610,384	(20,906,742)	294,703,642	311,824,619	17,120,977	
Finance lease obligation	-	-	-	6,221,869	6,221,869	
Employee benefit obligation	-	-	-	97,119,362	97,119,362	
Provisions	147,215,918	-	147,215,918	25,001,045	(122,214,873)	
Long service awards	-	-	-	21,728,025	21,728,025	
	<b>462,826,302</b>	<b>(20,906,742)</b>	<b>441,919,560</b>	<b>461,894,920</b>	<b>19,975,360</b>	

##### Total Liabilities

	<b>708,698,589</b>	<b>(18,331,381)</b>	<b>690,367,208</b>	<b>814,467,074</b>	<b>124,099,866</b>	
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##### Net Assets

	<b>6,674,351,370</b>	<b>149,025,440</b>	<b>6,823,376,810</b>	<b>6,776,992,332</b>	<b>(46,384,478)</b>	
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## Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	6,674,351,370	149,025,440	6,823,376,810	6,776,992,332	(46,384,478)	

Audited  
By  
2019-11-30  
Auditor General South Africa  
Mpumalanga Business Unit



## Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (L.O. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (L.O. s31 of the MFMA)	Virement (L.O. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2019</b>											
<b>Financial Performance</b>											
Property rates	353,052,280	4,075,018	357,127,298	-	-	357,127,298	358,277,418	-	1,150,120	100 %	101 %
Service charges	799,237,231	18,468,164	817,705,395	-	-	817,705,395	797,828,333	-	(19,877,062)	98 %	100 %
Investment revenue	36,071,200	1,000,000	36,071,200	-	-	36,071,200	51,871,021	-	15,799,821	144 %	148 %
Transfers recognised - operational	184,800,000	1,052,621	185,852,621	-	-	185,952,621	186,254,808	-	301,888	100 %	101 %
Other own revenue	120,386,467	11,558,673	131,945,140	-	-	131,945,140	123,607,934	-	(8,337,206)	94 %	103 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>1,492,647,178</b>	<b>36,164,476</b>	<b>1,528,801,654</b>	<b>-</b>	<b>-</b>	<b>1,528,801,654</b>	<b>1,517,839,316</b>	<b>-</b>	<b>(10,962,339)</b>	<b>99 %</b>	<b>102 %</b>
<b>Employee related costs</b>	<b>(545,555,583)</b>	<b>8,693,442</b>	<b>(536,862,151)</b>	<b>-</b>	<b>-</b>	<b>(536,862,151)</b>	<b>(535,930,077)</b>	<b>-</b>	<b>932,074</b>	<b>100 %</b>	<b>98 %</b>
Remuneration of councillors	(23,152,857)	(149,022)	(23,301,879)	-	-	(23,301,879)	(22,748,100)	-	553,779	98 %	98 %
Debt impairment	-	-	-	-	-	-	(14,437,562)	-	(14,437,562)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(162,601,862)	110,587	(162,491,275)	-	-	(162,491,275)	(208,162,562)	-	(46,671,287)	129 %	129 %
Finance charges	(19,132,479)	-	(19,132,479)	-	-	(19,132,479)	(21,572,636)	-	(2,440,157)	113 %	113 %
Materials and bulk purchases	(456,548,422)	(13,817,428)	(470,365,850)	-	-	(470,365,850)	(455,592,519)	-	14,773,331	97 %	100 %
Transfers and grants	(1,910,000)	(143,000)	(2,053,000)	-	-	(2,053,000)	(1,927,847)	-	125,153	94 %	101 %
Other expenditure	(347,816,120)	(36,803,877)	(384,419,997)	-	-	(384,419,997)	(328,747,928)	-	55,672,068	86 %	95 %
<b>Total expenditure</b>	<b>(1,556,717,333)</b>	<b>(41,909,298)</b>	<b>(1,598,626,631)</b>	<b>-</b>	<b>-</b>	<b>(1,598,626,631)</b>	<b>(1,590,119,231)</b>	<b>-</b>	<b>8,507,400</b>	<b>99 %</b>	<b>102 %</b>
<b>Surplus/(Deficit)</b>	<b>(64,070,155)</b>	<b>(5,754,822)</b>	<b>(69,824,977)</b>	<b>-</b>	<b>-</b>	<b>(69,824,977)</b>	<b>(72,279,916)</b>	<b>-</b>	<b>(2,454,939)</b>	<b>104 %</b>	<b>113 %</b>

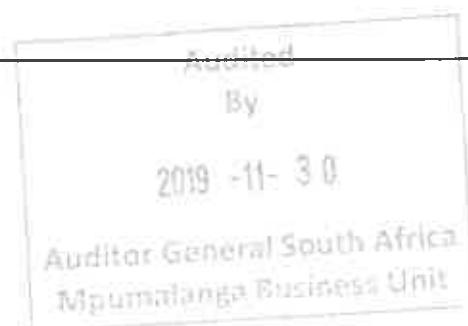


**Steve Tshwete Local Municipality**  
Annual Financial Statements for the year ended 30 June 2019

**Appropriation Statement**

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	68,203,800	10,300,000	78,503,800	-		78,503,800	78,361,000		(142,800)	100 %	115 %
Contributions recognised - capital and contributed assets	21,976,767	(85,007)	21,891,760	-		21,891,760	20,664,251		(1,227,509)	94 %	94 %
Surplus (Deficit) after capital transfers and contributions	26,110,412	4,460,171	30,570,583	-		30,570,583	26,745,335		(3,825,248)	87 %	102 %
Surplus/(Deficit) for the year	26,110,412	4,460,171	30,570,583	-		30,570,583	26,745,335		(3,825,248)	87 %	102 %
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	378,009,544	16,635,215	394,644,759	-		394,644,759	392,788,514		(1,856,245)	100 %	104 %



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures are rounded to the nearest rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables is calculated on a portfolio basis. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

##### Allowance for slow moving, damaged and obsolete inventory

An assessment is made of net realisable value at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus or deficit.

##### Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

Auditor General South Africa  
Mpumalanga Business Unit

# **Steve Tshwete Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

## **Accounting Policies**

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### **1.2 Significant judgements and sources of estimation uncertainty (continued)**

#### **Impairment testing**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the key assumptions such as the discount rate, condition of the asset, estimated future cash inflow, outflow, the term for discounting may change which may then impact our estimations and may then require a material adjustment to the carrying value of intangible assets.

#### **Value in use of cash generating assets**

The municipality reviews and tests the carrying value of cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as exchange rates, inflation and interest rates.

#### **Value in use of non-cash generating assets**

The municipality reviews and tests the carrying value of non-cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

#### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 22 - Provisions.

#### **Useful lives of property, plant and equipment and other assets**

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

#### **Post retirement benefits and other long-term benefits**

The present value of the post retirement and long-term benefit obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement and long-term benefit obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement and long-term benefit obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds that are denominated in South African rands, and that have terms to maturity approximating the terms of the related pension or other long-term liability. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in note 20.

#### **Effective Interest rate**

The municipality uses the prime interest rate to discount future cash flows.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### Allowance for impairment of financial assets

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### 1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	Indefinite

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

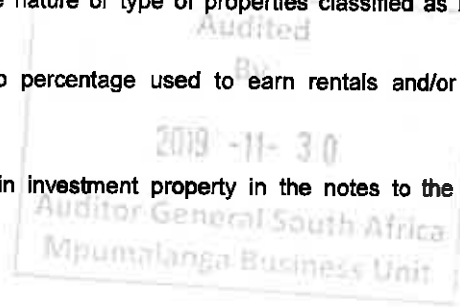
Gains or losses arising from the retirement or disposal of investment property are the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- primary use of the property;
- partial own use, percentage used for own use compared to percentage used to earn rentals and/or capital appreciation; and
- ancillary services, significance of services provided.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note ).



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

### 1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement part is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated over their expected useful lives to their estimated residual value. The depreciation charge for each period is recognised in surplus or deficit.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	30 - 100 years
Community assets	Straight line	10 - 100 years
Infrastructure assets	Straight line	10 - 300 years
Housing - properties purchased from previous housing development	Straight line	30 - 100 years
Land	Straight line	Indefinite
Landfill site	Straight line	50 years
Other property, plant and equipment	Straight line	2 - 30 years

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

### 1.4 Property, plant and equipment (continued)

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Assets of the municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note ).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore certain items of property, plant and equipment. Such obligations are referred to as 'decommissioning, rehabilitation and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of non-cash-generating assets.

### 1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

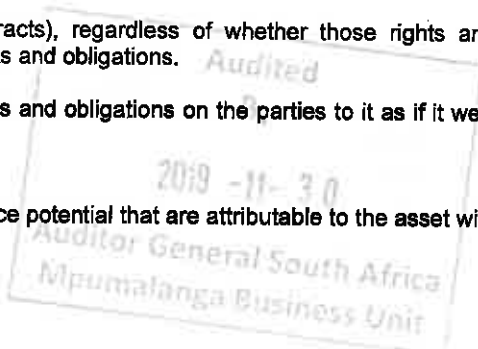
A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially measured at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

### 1.6 Intangible assets (continued)

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent to initial measurement, intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired.

For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets to their residual values. The amortisation charge for each period is recognised in surplus or deficit.

The useful lives of items of intangible assets have been assessed as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3 - 15 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets are included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.7 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.7 Impairment of cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

- consideration of the manner in which assets are managed to determine whether their asset management practices are consistent with those in the profit-driven private sector;
- intention in to generate positive cash inflows from that asset and earn a return that reflects the risk involved in holding such an asset; and
- service delivery objective

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset is initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

#### Value in use

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### Discount rate

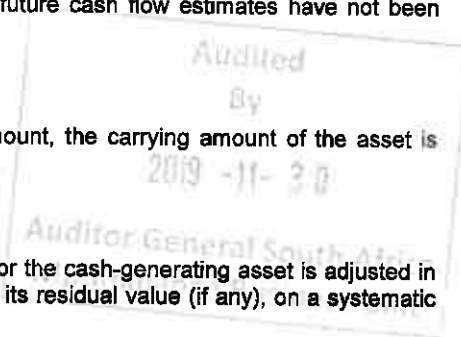
The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.7 Impairment of cash-generating assets (continued)

#### Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.7 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.8 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.8 Impairment of non-cash-generating assets (continued)

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:

- consideration of the manner in which assets are managed to determine whether their asset management practices are consistent with those in the profit-driven private sector;
- intention is to generate positive cash inflows from that asset and earn a return that reflects the risk involved in holding such an asset; and
- service delivery objective.

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset are determined on an "optimised" basis. The rationale is that the municipality will not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.8 Impairment of non-cash-generating assets (continued)

#### Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.9 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.9 Financial Instruments (continued)

A financial asset is:

- cash;
- a residual interest in another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.9 Financial instruments (continued)

#### Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Investments	Financial asset measured at amortised cost
Other receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Deposits	Financial asset measured at amortised cost
Long term receivables	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Long term liabilities	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost
Deposits	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost

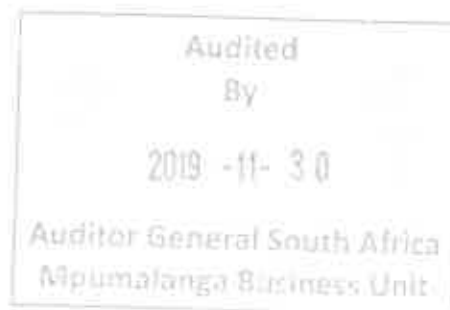
#### Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.9 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants will consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in the carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.9 Financial instruments (continued)

#### Derecognition

##### Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

##### Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

### 1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

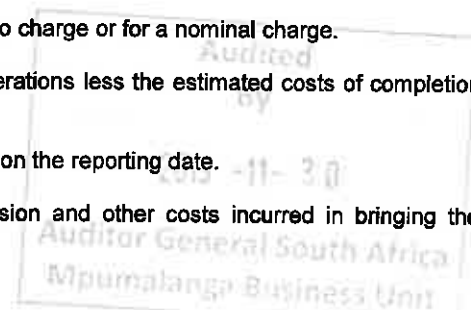
Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.10 Inventories (continued)

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.11 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the VAT Act No.89 of 1991.

Audited  
By  
2019-11-30  
Auditor General South Africa  
www.sars.gov.za

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.12 Employee benefits

Employee benefits are all forms of consideration given by an municipality in exchange for service rendered by employees.

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.12 Employee benefits (continued)

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The municipality accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.12 Employee benefits (continued)

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- actuarial gains and losses;
- past service cost;

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

### Other long-term employee benefits

The municipality has an obligation to provide other long-term service allowance benefits to all of its employees.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.12 Employee benefits (continued)

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method to determine the present value of the obligations.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- actuarial gains and losses, which shall all be recognised immediately;

### Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

### 1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.13 Provisions and contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

Where the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.7 and 1.8.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

### 1.14 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited / debited against accumulated surplus / deficit. Prior year adjustments, relating to income and expenditure, are credited / debited against accumulated surplus when retrospective adjustments are made.

### 1.15 Revenue from exchange transactions

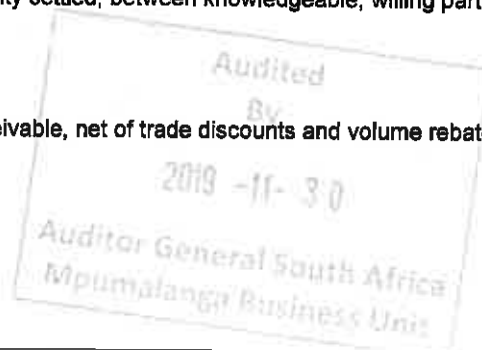
Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.15 Revenue from exchange transactions (continued)

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

#### Interest and dividends

Revenue arising from the use by others of municipal assets yielding interest and dividends or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

### 1.16 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.16 Revenue from non-exchange transactions (continued)

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

#### Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting municipality.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.16 Revenue from non-exchange transactions (continued)

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

#### Services in-kind

Except for financial guarantee contracts, the municipality recognises services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality discloses the nature and type of services in-kind received during the reporting period.

#### Concessionary loans received

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, are exchange transactions and are accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the statement of financial performance recognises revenue as and when it satisfies the conditions of the loan agreement.

### 1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.19 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.19 Leases (continued)

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Any contingent rents are expensed in the period in which they are incurred.

### 1.20 Grant in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase of sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events given rise to the transfer occurred.

### 1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note .

Reclassification of certain accounts were made in order to comply with the requirements of Municipal Standard Chart of Accounts (MSCOA). The reclassifications have no impact on the net asset value of the municipality.

### 1.22 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.23 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.23 Unauthorised expenditure (continued)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.25 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.26 Budget information

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2018 to 30/06/2019.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.27 Related parties

A related party is a person or an entity with the ability to control or jointly control the municipality, or exercise significant influence over the municipality, or vice versa, or an entity that is subject to common control.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

## **Steve Tshwete Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

### **Accounting Policies**

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#### **1.28 Events after reporting date (continued)**

The municipality discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

#### **1.29 Additional Note**



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

2019

2018

### 2. New standards and interpretations

#### 2.1 Standards and Interpretations Issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

##### GRAP 104 (revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the amendment is not yet set by the Minister of Finance.

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

##### GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

##### GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

### GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

### GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

### GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:



## Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

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#### 2. New standards and interpretations (continued)

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2019 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>3. Inventories</b>		
Land	24,199,495	144,467,536
RDP Houses	128,952	128,952
Consumable stores	26,082,178	20,416,343
Water	223,977	269,927
Stores, materials and fuels	38,367	-
	<b>50,672,969</b>	<b>165,282,758</b>

In the 2018/2019 financial year Inventory - Land to the value of R113 759 047 was transferred to Property, plant and Equipment - Land.

### Inventory pledged as security

During the year no inventory was pledged as security.

### Inventory shortages and surpluses

Inventory shortages written off during the year	(487,206)	(365,935)
Inventory surpluses for the year	379,950	99,588
	<b>(107,256)</b>	<b>(266,347)</b>

## 4. Long term receivables

### At amortised cost

Sale of erven

1,023 11,364

Loans were given at a low interest of 7.5% per annum to encourage development through the sale of vacant land. In terms of the MFMA no new loans are granted. The remaining repayment terms is less than 12 months.

### Current assets

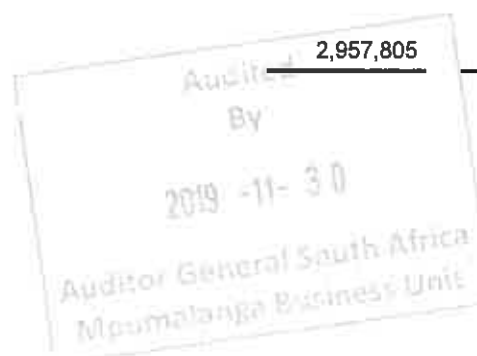
At amortised cost

1,023 11,364

## 5. Operating lease asset

Current assets

2,957,805 1,530,383



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 5. Operating lease asset (continued)

#### Minimum lease income

- within one year	12,432,211	12,315,867
- second to fifth year	25,324,231	34,926,905
- after five years	467,544	352,912
	<b>38,223,986</b>	<b>47,595,684</b>

#### 1. Izimbiwa Coal Pty Ltd - Lease of Farms in Middelburg.

The contract expires on 31 March 2022. The contract escalates annually at 6%.

Actual income levied 2018/2019

R10 258 416

Expected levy income 2019/2020

R11 526 356

Annual straightlining

R11 510 975

#### 2. Mayivhuthe Contractors: Rental of a portion of Erf 3131 Mhluzi for car wash purposes.

The contract expires on 31 May 2019. The contract escalates annually with 10%.

Actual income levied 2018/2019

R58 377

Expected levy income 2019/2020

R0.00

Annual straightlining

R52 424

#### 3. Phola Coaches: Rental of the remainder of portion 27 of the Farm Middelburg Town and Townlands 287 JS.

The contract expires on 31 October 2019. The contract escalates annually with 8%

Actual income levied 2017/2018

R86 430

Expected levy income 2018/2019

R27 441

Annual straightlining

R82 324

#### 4. Gerrie Gerrits (Pty) Ltd T/A Pienaarsdam Resort: Rental of portions of Farm Vaalbank for riparian purposes.

The contract expires on 31 October 2027. The contract escalates annually with 10%.

Actual income levied 2018/2019

R5 554

Expected levy income 2019/2020

R73 311

Annual straightlining

R100 110

#### 5. South African Social Security Agency Mpumalanga: Rental of a portion of the office building on Erf 11848 Mhluzi Extension

7. The contract expires on 30 September 2020. The contract escalates annually with 8%.

Actual income levied 2018/2019

R137 894

Expected levy income 2019/2020

R148 926

Annual straightlining

R140 930

### 6. Other receivables from exchange transactions

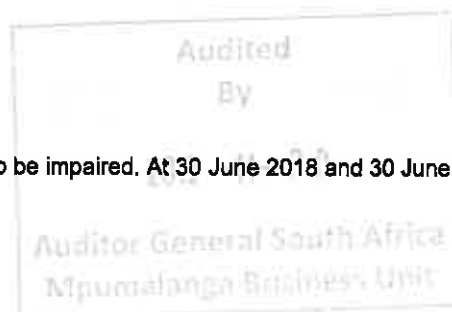
Accrued interest	24,504,020	19,261,903
Other debtors	4,875,870	2,507,783
Sundry debtors	17,434,919	15,641,713
Less allowance for impairment	(13,146,527)	(11,749,780)
	<b>33,668,282</b>	<b>25,661,619</b>

#### Other receivables pledged as security

None of other receivables were pledged as security.

#### Other receivables past due but not impaired

Other receivables which are less than 1 month past due are not considered to be impaired. At 30 June 2018 and 30 June 2019, all accounts past due were considered for impaired.



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>6. Other receivables from exchange transactions (continued)</b>		
<b>Other receivables impaired</b>		
As of 30 June 2019, other receivables of R 13,146,527 (2018: R 11,749,780) were impaired and provided for.		
The amount of the provision was R 1,396,747 as of 30 June 2019 (2018: R 6,156,391).		
The ageing of these receivables is as follows:		
0 to 3 months	3,351,503	1,331,434
3 to 6 months	1,315,243	466,109
Over 6 months	13,171,657	10,848,282
<b>Reconciliation of provision for impairment of trade and other receivables</b>		
Opening balance	(11,749,780)	(5,650,715)
Provision for impairment	(1,396,747)	(6,156,391)
Amounts written off as uncollectible	-	57,326
	<b>(13,146,527)</b>	<b>(11,749,780)</b>
<b>7. Receivables from non-exchange transactions</b>		
Traffic fines	3,489,247	3,393,021
Property rates	32,580,608	25,390,513
	<b>36,069,855</b>	<b>28,783,534</b>
<b>Age analysis</b>		
<b>Traffic fines</b>		
> 151 days	50,553,139	46,440,405
Allowance for impairment	(47,063,892)	(43,047,384)
	<b>3,489,247</b>	<b>3,393,021</b>
<b>Property rates</b>		
Current (0 - 30 days)	24,491,985	19,851,290
31 - 60 days	4,169,183	2,097,234
61 - 90 days	2,961,085	1,356,633
91 - 120 days	1,913,481	1,158,235
121 - 150 days	1,650,700	1,018,177
> 150 days	24,693,052	16,786,662
Allowance for impairment	(27,298,879)	(16,877,718)
	<b>32,580,607</b>	<b>25,390,513</b>
<b>Reconciliation of provision for impairment of receivables from non-exchange transactions</b>		
Opening balance	(59,925,103)	(57,827,417)
Provision for impairment	(14,437,668)	(2,097,686)
	<b>(74,362,771)</b>	<b>(59,925,103)</b>

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>8. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	18,989,263	16,175,803
Water	20,084,251	15,040,763
Waste water management	7,039,725	8,933,904
Waste management	12,425,885	9,191,084
Land sale debtors	169,578	4,095,180
Merchandising, jobbing and contracts	14,009,725	14,619,646
	<b>72,718,427</b>	<b>68,056,380</b>
<b>Less: Allowance for impairment</b>		
Electricity	(16,593,988)	(11,619,065)
Water	(8,301,287)	(5,111,289)
Waste water management	(5,324,217)	(3,434,987)
Waste management	(4,893,133)	(3,057,837)
Land sale debtors	(453,704)	(426,770)
Merchandising, jobbing and contracts	(7,328,366)	(5,103,190)
	<b>(42,894,695)</b>	<b>(28,753,138)</b>
<b>Net balance</b>		
Electricity	2,395,275	4,556,738
Water	11,782,964	9,929,474
Waste water management	1,715,508	5,498,917
Waste management	7,532,752	6,133,247
Land sale debtors	(284,126)	3,668,410
Merchandising, jobbing and contracts	6,681,359	9,516,456
	<b>29,823,732</b>	<b>39,303,242</b>
<b>Electricity</b>		
Current (0 -30 days)	12,256,635	9,803,597
31 - 60 days	767,359	1,039,996
61 - 90 days	268,415	492,232
91 - 120 days	430,245	359,982
121 - 150 days	323,959	335,636
> 150 days	4,942,650	4,144,360
Less allowance for impairment	(16,593,988)	(11,619,065)
	<b>2,395,275</b>	<b>4,556,738</b>
<b>Water</b>		
Current (0 -30 days)	7,938,058	6,265,399
31 - 60 days	1,107,055	1,099,501
61 - 90 days	762,960	600,220
91 - 120 days	686,030	510,084
121 - 150 days	615,030	476,411
> 150 days	8,975,118	6,089,152
Less allowance for impairment	(8,301,287)	(5,111,293)
	<b>11,782,964</b>	<b>9,929,474</b>

Audited  
2019 -11- 30  
Auditor General South Africa  
Mpumalanga Business Unit

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>8. Receivables from exchange transactions (continued)</b>		
<b>Waste water management</b>		
Current (0 -30 days)	396,464	4,181,722
31 - 60 days	379,947	529,720
61 - 90 days	365,563	306,001
91 - 120 days	387,120	240,955
121 - 150 days	341,644	219,860
> 150 days	5,168,987	3,455,646
Less allowance for impairment	(5,324,217)	(3,434,987)
	<b>1,715,508</b>	<b>5,498,917</b>
<b>Waste management</b>		
Current (0 -30 days)	6,328,516	4,488,547
31 - 60 days	709,814	664,892
61 - 90 days	492,137	363,907
91 - 120 days	430,938	250,982
121 - 150 days	327,665	221,768
> 150 days	4,136,815	3,200,988
Less allowance for impairment	(4,893,133)	(3,057,837)
	<b>7,532,752</b>	<b>6,133,247</b>
<b>Land sale debtors</b>		
Current (0 -30 days)	(35,071)	-
31 - 60 days	41	767,553
61 - 90 days	41	1,623,175
91 - 120 days	41	1,699,085
121 - 150 days	41	5,367
> 150 days	204,485	-
Less allowance for impairment	(453,704)	(426,770)
	<b>(284,126)</b>	<b>3,668,410</b>
<b>Merchandising, jobbing and contracts</b>		
Current (0 -30 days)	1,255,449	1,557,366
31 - 60 days	1,220,964	661,679
61 - 90 days	368,731	365,495
91 - 120 days	301,315	284,165
121 - 150 days	431,248	189,366
> 150 days	10,432,018	11,561,575
Less allowance for impairment	(7,328,366)	(5,103,190)
	<b>6,681,359</b>	<b>9,516,456</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(28,753,138)	(21,102,082)
Contributions to allowance	(14,141,557)	(7,651,056)
	<b>(42,894,695)</b>	<b>(28,753,138)</b>
<b>Receivables pledged as security</b>		
No receivables from exchange transactions were pledged as security.		
<b>9. VAT receivable</b>		
VAT	75,921,640	37,581,156

The municipality is recognises the VAT on the accrual basis and declares it to SARS on a cash basis..

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>10. Investments</b>		
<b>At amortised cost</b>		
ABSA Bank	80,000,000	169,711,000
First National Bank	80,000,000	84,000,000
Investec Bank	80,000,000	84,000,000
Nedbank	80,000,000	126,000,000
Standard Bank	80,000,000	84,000,000
Investec Call Account	50,000,000	50,000,000
	<b>450,000,000</b>	<b>597,711,000</b>

### 11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	42,380	42,380
Bank balances	241,705,027	73,028,289
	<b>241,747,407</b>	<b>73,070,669</b>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
ABSA Bank (Nelspruit)-cheque account 1040-000-077	217,707,871	77,570,246	68,026,305	198,977,187	34,472,008	51,852,101
ABSA Bank (Nelspruit)-cheque account 4078-303-563	45,882,041	38,177,403	32,119,664	42,727,840	38,556,280	32,007,098
<b>Total</b>	<b>263,589,912</b>	<b>115,747,649</b>	<b>100,145,969</b>	<b>241,705,027</b>	<b>73,028,288</b>	<b>83,859,199</b>

### 12. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property - Land	25,417,439	-	25,417,439	25,895,021	-	25,895,021

#### Reconciliation of investment property - 2019

	Opening balance	Transfers	Total
Investment property (Land)	25,895,021	(477,582)	25,417,439

#### Reconciliation of Investment property - 2018

	Opening balance	Disposals	Total
Investment property (Land)	26,006,538	(111,517)	25,895,021

#### Pledged as security

None of the investment property has been pledged as security.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

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### 12. Investment property (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

There is no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

### Amounts recognised in surplus or deficit

Rental revenue from Investment property	17,150,236	15,690,259
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### 13. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	270,636,503	(115,266,063)	155,370,440	254,447,028	(109,054,223)	145,392,805
Community	855,682,919	(276,057,831)	579,625,088	822,850,742	(259,180,460)	563,670,282
Infrastructure	7,293,511,525	(2,866,972,533)	4,426,538,992	7,063,886,619	(2,746,632,278)	4,317,254,341
Land	1,296,928,476	-	1,296,928,476	1,168,973,310	-	1,168,973,310
Other property, plant and equipment	410,248,493	(221,461,313)	188,787,180	350,224,168	(191,500,674)	158,723,494
<b>Total</b>	<b>10,127,007,916</b>	<b>(3,479,757,740)</b>	<b>6,647,250,176</b>	<b>9,660,381,867</b>	<b>(3,306,367,635)</b>	<b>6,354,014,232</b>





## Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

Figures in Rand

#### 13. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Buildings	145,392,805	15,792,040	(103,819)	-	(1,245)	-	(5,709,341)	-	155,370,440
Community	563,670,282	32,832,177	-	-	-	-	(18,877,371)	-	579,625,088
Infrastructure	4,317,254,341	252,992,700	(8,432,592)	-	-	(5,282,511)	(129,992,946)	-	4,426,538,992
Land	1,168,973,310	16,189,867	(2,464,429)	114,229,628	-	-	-	-	1,296,928,476
Other property, plant and equipment	158,723,494	72,593,849	(1,630,256)	-	-	-	(42,286,321)	1,386,414	188,787,180
	<b>6,354,014,232</b>	<b>390,400,733</b>	<b>(12,631,096)</b>	<b>114,229,628</b>	<b>(1,245)</b>	<b>(5,282,511)</b>	<b>(184,865,879)</b>	<b>1,386,414</b>	<b>6,647,250,176</b>

##### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Prior period error movements	Depreciation	Impairment loss	Total
Buildings	151,524,599	4,443,605	(178,176)	-	(4,143,726)	(6,122,245)	(131,252)	145,392,805
Community	561,634,563	24,300,337	(744,634)	-	(5,109,754)	(16,400,747)	(9,483)	563,670,282
Infrastructure	4,197,484,006	206,032,627	-	-	20,427,465	(106,689,757)	-	4,317,254,341
Land	1,175,834,889	864,382	(5,413,054)	(3,050,717)	737,810	-	-	1,168,973,310
Other property, plant and equipment	142,485,275	27,780,624	(1,682,918)	-	11,481,943	(20,903,839)	(417,491)	158,723,494
	<b>6,228,963,332</b>	<b>263,421,575</b>	<b>(8,018,782)</b>	<b>(3,050,717)</b>	<b>23,373,738</b>	<b>(150,116,688)</b>	<b>(558,226)</b>	<b>6,354,014,232</b>

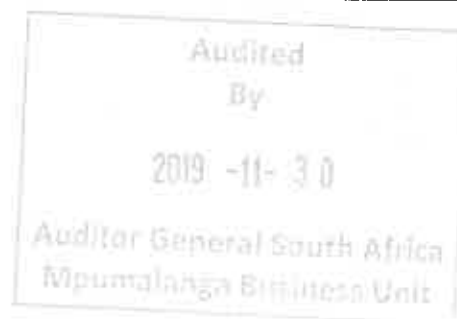
##### Pledged as security

None of the above property, plant and equipment have been pledged as security.

##### Assets subject to finance lease (Net carrying amount)

Other property, plant and equipment	6,212,604	(5,797,233)
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##### Other information



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 13. Property, plant and equipment (continued)

#### Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	124,508,769	2,591,000	9,177,453	136,277,222
Additions/capital expenditure	88,403,238	15,611,970	5,317,993	109,333,201
Transferred to completed items	(10,873,245)	(692,740)	(1,254,431)	(12,820,416)
	<b>202,038,762</b>	<b>17,510,230</b>	<b>13,241,015</b>	<b>232,790,007</b>

#### Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	105,870,427	1,604,338	4,485,645	111,960,410
Additions/capital expenditure	61,824,228	1,191,800	5,466,784	68,482,812
Transferred to completed items	(43,185,886)	(205,138)	(774,976)	(44,166,000)
	<b>124,508,769</b>	<b>2,591,000</b>	<b>9,177,453</b>	<b>136,277,222</b>

#### Expenditure incurred to repair and maintain property, plant and equipment

#### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	52,307,870	59,185,434
Sale of goods/inventory	10,686,210	5,927,266
General expenses	1,889,448	1,584,999
Outsourced services	8,999,265	8,574,139
	<b>73,882,793</b>	<b>75,271,838</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 14. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	17,713,102	(8,347,477)	9,365,625	15,462,324	(7,395,726)	8,066,598

#### Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software	8,066,598	2,372,999	(1,073,972)	9,365,625

#### Reconciliation of intangible assets - 2018

	Opening balance	Additions	Disposals	Prior year period error	Amortisation	Impairment loss	Total
Computer software	7,374,077	1,864,476	(5,145)	35,536	(748,797)	(453,549)	8,066,59

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>14. Intangible assets (continued)</b>		
<b>Pledged as security</b>		
None of the above intangible assets have been pledged as security.		
A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.		
<b>15. Long term liabilities</b>		
<b>At amortised cost</b>		
Infrastructure Finance Corporation Interest at 9.59% redeemable on 30/06/2022	17,090,734	14,486,874
Infrastructure Finance Corporation Interest at 9.29% redeemable on 30/06/2023	11,219,764	17,164,074
Infrastructure Finance Corporation Interest at 9.02% redeemable on 30/06/2024	14,184,627	19,598,793
ABSA Interest at 9.42% redeemable on 30/06/2033	278,675,592	127,711,000
First National Bank Interest at 12.50% redeemable on 30/06/2019		4,073,614
	<b>321,170,717</b>	<b>183,034,355</b>
<b>Total other financial liabilities</b>	<b>321,170,717</b>	<b>183,034,355</b>
<b>Non-current liabilities</b>		
At amortised cost	311,824,619	166,206,516
<b>Current liabilities</b>		
At amortised cost	9,346,098	16,827,839



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>16. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	4,974,845	1,597,980
- in second to fifth year inclusive	8,466,284	3,862,748
	<u>13,441,129</u>	<u>5,460,728</u>
less: future finance charges	(1,831,613)	(888,916)
<b>Present value of minimum lease payments</b>	<u><b>11,609,516</b></u>	<u><b>4,571,812</b></u>
<b>Present value of minimum lease payments due</b>		
- within one year	3,947,236	1,173,341
- in second to fifth year inclusive	7,662,281	3,398,471
	<u><b>11,609,517</b></u>	<u><b>4,571,812</b></u>
<b>Non-current liabilities</b>	6,221,869	3,398,471
<b>Current liabilities</b>	5,387,648	1,173,341
	<u><b>11,609,517</b></u>	<u><b>4,571,812</b></u>

It is the municipality policy to lease photocopiers under finance leases. The municipality entered into a lease agreement with Nashua for 51 machines for a period of 5 years. An effective borrowing rate of 10.5% was used for valuation of finance lease obligation.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 13.

### 17. Payables from exchange transactions

Trade payables	137,980,582	78,340,479
Consumer receivables paid in advance	13,003,787	18,601,577
Pre-paid meter sales in advance	1,349,549	4,724,477
Retentions payable	35,830,265	25,707,675
Staff leave	35,425,802	29,437,659
Sundry receivables paid in advance	1,101,141	800,725
Third party pre-paid sales in advance	1,852,542	6,155,200
Unallocated deposits	27,138,144	25,159,588
	<u><b>253,681,812</b></u>	<u><b>188,927,380</b></u>

### 18. Payables from non-exchange transactions

Mpumalanga AGRISSETA	69,480	-
Housing accreditation grant	3,277,613	785,908
Department of Human Settlement	-	498,498
	<u><b>3,347,093</b></u>	<u><b>1,284,406</b></u>

### 19. Deposits

Electricity and water	71,543,878	70,117,952
Sundry	1,537,508	1,348,212
	<u><b>73,081,386</b></u>	<u><b>71,466,164</b></u>

No interest is paid on deposits.

Guarantees hold in lieu of electricity and water deposits for 2019: R7 175 639 (2018: R7 395 639).

Deposits consists of consumer deposits for water and electricity, contractor deposits (Wayleave), Rental of facilities and unallocated receipts.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 20. Employee benefit obligations

#### Defined benefit plan

##### Post retirement medical aid plan

The municipality offers employees and continuation members (pensioners) the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical aid scheme.

The municipality has a policy to subsidise the medical aid contributions of permanently employed employees who go on retirement, provided they are members of the municipal accredited medical aid schemes. All existing continuation members (pensioners) and their dependants will continue to receive either a 60% or 70% subsidy depending on when they retired. This subsidy is subject to the maximum amount of R4 492.35 (per month per member) for the period from 1 July 2018 to 30 June 2019.

The amounts recognised in the statement of financial position are as follows:

<b>Carrying value</b>		
Present value of the defined benefit obligation-wholly unfunded	(100,536,447)	(91,629,887)
Non-current liabilities	(97,119,362)	(88,453,191)
Current liabilities	(3,417,085)	(3,176,696)
	<b>(100,536,447)</b>	<b>(91,629,887)</b>

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	91,629,885	90,849,058
Net expense recognised in the statement of financial performance	8,906,560	780,827
	<b>100,536,445</b>	<b>91,629,885</b>

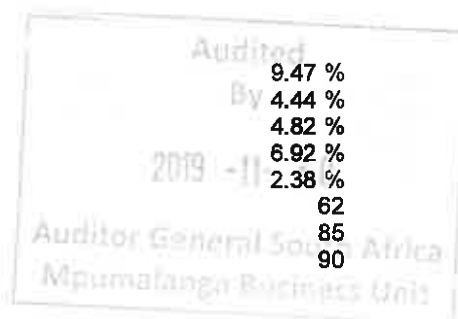
Net expense recognised in the statement of financial performance

Current service cost	5,273,210	5,470,000
Interest cost	8,647,481	8,879,000
Actuarial (gains) losses	(1,106,979)	(9,891,565)
Settlement	(3,907,152)	(3,676,608)
	<b>8,906,560</b>	<b>780,827</b>

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.47 %	9.60 %
Net-of-maximum-subsidy-inflation discount rate	4.44 %	5.24 %
Maximum subsidy inflation rate	4.82 %	4.15 %
Medical cost trend rates	6.92 %	7.41 %
Net effective discount rate	2.38 %	2.04 %
Average retirement age	62	63
Pre-retirement mortality (SA)	85	85
Post-retirement mortality (PA)	90	90



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 20. Employee benefit obligations (continued)

#### Other assumptions

Valuation results are sensitive to changes in the underlying assumptions. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Healthcare inflation - effect on the aggregate of the service cost and interest cost	1	1
Healthcare - effect on defined benefit obligation	1	1

Amounts for the current and previous four years are as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Defined benefit obligation	100,536,446	91,629,886	90,849,059	83,610,780	73,395,987

#### Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

The total contributions expensed for defined contribution plans amounted to	55,326,788	46,143,946
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### 21. Unspent conditional grants and receipts

#### Unspent conditional grants and receipts comprises of:

##### Unspent conditional grants and receipts

Informal housing grant (RDP)

Audited By	-	1,993,207
2019-11-30		
Auditor General South Africa		
Mpumalanga Business Unit		

See note 29 for reconciliation of grants from National/Provincial Government.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand 2019 2018

### 22. Provisions

#### Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Total
Landfill rehabilitation	28,027,318	-	(3,185,927)	24,841,391
Performance bonus	2,151,628	799,440	(1,138,299)	1,812,769
Church erven	166,666	80,707	(87,719)	159,654
	<b>30,345,612</b>	<b>880,147</b>	<b>(4,411,945)</b>	<b>26,813,814</b>

#### Reconciliation of provisions - 2018

	Opening Balance	Additions	Reversed during the year	Total
Landfill rehabilitation	25,247,871	2,779,447	-	28,027,318
Performance bonus	1,138,300	1,013,328	-	2,151,628
Church erven	250,039	78,947	(162,320)	166,666
	<b>26,636,210</b>	<b>3,871,722</b>	<b>(162,320)</b>	<b>30,345,612</b>

Non-current liabilities	25,001,045	28,193,984
Current liabilities	1,812,769	2,151,628
	<b>26,813,814</b>	<b>30,345,612</b>

#### Landfill rehabilitation

The landfill rehabilitation is created for the rehabilitation of the current operational site which is evaluated at each year-end to reflect the best estimate at reporting date. The site under consideration is the Middelburg landfill site. The valuation for the landfill site was performed by Mr Seakle Godschalk Pr Sci Nat. from Environmental and Sustainability Solutions CC. Mr Godschalk is a registered professional environmental scientist with the South African Council for Natural Scientist Professions as well as the Southern African Institute of Ecologists and Environmental Scientists. Mr Godschalk is also a member of the Institute of Municipal Finance Officers.

Key financial assumptions used in this calculation were a CPI of 4.194%, a discount rate of 8.194% and therefore a net effective discount rate of 4%.

The 2019 discounted value of the landfill closure provision of R24 841 390 represents an decrease of R3 185 927 compared to the provision of R28 027 317 in the previous financial year. Composition of this change relate to changes in the CPI, discount rate and unit costs. The interest charge relating to the assessment amounts to R2 096 584.

The landfill closure provision is calculated as the net present value of future cash flows based on the expected remaining life of the landfill site and based on the size of the area that had been used for waste disposal as at 30 June 2019. The size of the Middelburg landfill site used up until now is approximately 89.79 ha. The remaining life of the landfill is estimated at 6 years.

#### Performance bonus

The provision is to provide for performance bonuses of the section 57 employees and other senior managers where applicable.

The provision is calculated at 14% of the total remuneration in terms of the performance agreements at reporting date which is usually paid within one year.

#### Church erven

The provision on church erven is for the obligation the municipality has to pay 25% of the purchase price back to the church once the property is fully developed within the period specified on the deed of sale. The provision is evaluated at year-end to reflect the best estimate at reporting date.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 23. Long service awards

Long service benefits are awarded in the form of a number of leave days once an employee has completed a certain number of years in service. The valuation was performed in line with GRAP 25 Employee benefits by Independent Actuaries and Consultants as at 30 June 2019.

#### Changes in the present value of the long service liability is

Opening balance	20,289,590	18,594,629
Current service cost	2,192,314	1,671,000
Interest cost	1,671,328	1,957,000
Benefits vested	(2,728,441)	(3,891,495)
Actuarial (gain) / loss	2,801,497	1,958,456
	<b>24,226,288</b>	<b>20,289,590</b>
Current liability	2,498,263	1,931,022
Non-current liability	21,728,025	18,358,568
	<b>24,226,288</b>	<b>20,289,590</b>

Amounts for the current and previous four years are as follows:

	2019	2018	2017	2016	2015
Long service award liability	24,226,288	20,289,590	18,594,629	17,689,533	15,665,416

#### Assumptions used at the reporting date

Discount rate	8.22 %	8.64 %
Normal salary increase rate	5.59 %	6.23 %
Net discount rate	2.49 %	2.27 %

### 24. Service charges

Sale of electricity	573,504,144	524,363,376
Sale of water	85,130,065	82,509,441
Sewerage and sanitation charges	66,227,295	63,353,100
Refuse removal	72,966,829	68,790,473
	<b>797,828,333</b>	<b>739,016,390</b>

### 25. Income from agency services

Vehicle Registration	26,090,102	21,999,471
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Income from agency fees was based on a service level agreement between the municipality and Department of Transport for motor vehicle and licence registration on a split of 80/20 agent and principal basis.



## Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>26. Operating income</b>		
Administration fees	2,777,218	2,405,228
Breakages and losses recovered	10,909	27,383
Bursary repayment	-	80,570
Collection charges	1,465,653	1,292,980
Discounts and early settlements	2,005	16,179
Incidental cash surpluses	22,887	70,431
Insurance claims	1,325,759	506,655
Merchandising, jobbing and contracts	1,284,915	8,338,235
Registration fee	258,339	294,522
Request information	182,079	150,176
Sale of erven	31,039,901	45,171,857
Skills development fund refund	-	648,224
Staff recoveries	22,777	16,757
	<b>38,392,442</b>	<b>59,019,197</b>
<b>27. Investment revenue</b>		
Interest revenue		
Bank	31,117,307	19,203,883
Short term investments	20,753,714	27,845,435
	<b>51,871,021</b>	<b>47,049,318</b>



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

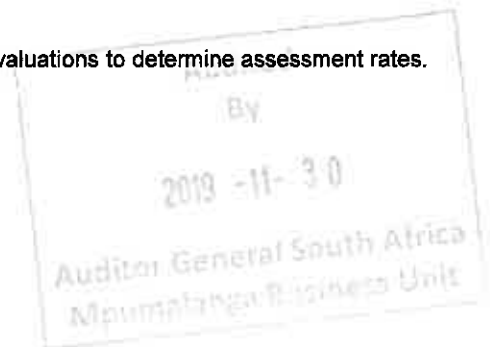
Figures in Rand	2019	2018
<b>28. Property rates</b>		
<b>Rates received</b>		
Commercial	78,225,885	72,346,694
Government	12,959,472	17,566,744
Industrial	71,314,013	61,631,637
Mining	2,306,897	187,784
Multiple purpose	7,927,367	4,334,981
Other	6,298,918	5,888,633
Privately owned towns	636,681	623,563
Residential	212,360,183	189,450,548
Small holdings and farms	6,239,491	6,751,349
Less: Income forgone	(39,991,489)	(26,012,827)
	<b>358,277,418</b>	<b>332,769,106</b>

### Valuations

Commercial	2,815,214	2,277,71
Government	1,400,711	1,067,218,000
Industrial properties	3,400,286	2,457,189,200
Mining properties	108,581,000	4,780,300
Multi purposes	745,404,000	443,714,500
Other Categories	3,450,596	2,631,948,450
Privately owned towns	65,367,000	52,237,000
Public benefit organisations	394,016,700	298,463,700
Residential	22,732,716	17,954,885,600
Farm Properties	3,086,745	1,593,340,000
	<b>38,199,641</b>	<b>28</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate for residential of R0.093 (2018: R0.090) is applied to property valuations to determine assessment rates.



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>29. Transfers and subsidies</b>		
<b>Operating grants</b>		
Equitable share	179,370,000	156,758,162
Expanded public works programme	1,881,000	1,500,358
Finance management grant	1,700,000	1,700,000
Greenest municipality competition	121,215	72,000
Housing accreditation grant	-	214,291
Mining companies	-	14,912
Municipal Infrastructure grant	1,949,000	2,022,280
Municipal support and governance	933,394	151,200
Provincial Departmental Agencies: Mpumalanga Agriculture	300,000	-
	<b>186,254,609</b>	<b>162,433,203</b>
<b>Capital grants</b>		
Expanded public works programme	2,270,000	3,769,642
Greenest municipality competition	-	128,700
Housing accreditation grant	-	330,500
Integrated national electrification grant (INEP)	9,000,000	-
Municipal Infrastructure Grant	50,291,000	48,534,720
Water Services Infrastructure Grant	16,800,000	-
	<b>78,361,000</b>	<b>52,763,562</b>
	<b>264,615,609</b>	<b>215,196,765</b>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Current year receipts	179,370,000	156,758,160
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### Departmental agencies: Mpumalanga AGRISETA

Current-year receipts	69,480	-
Transfer to Payables from non-exchange transactions	(69,480)	-
	-	-

Conditions still to be met - remain liabilities (see note 21).

Provide explanations of conditions still to be met and other relevant information.

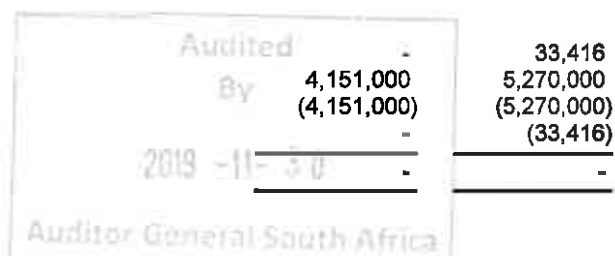
### Expanded public works programme (EPWP)

Balance unspent at beginning of year	-	33,416
Current-year receipts	4,151,000	5,270,000
Conditions met - transferred to revenue	(4,151,000)	(5,270,000)
Paid back to National Treasury	-	(33,416)
	-	-

Conditions still to be met - remain liabilities (see note 18).

The purpose of this grant is to effect a special performance-based incentive provided to provinces and municipalities that contribute to the employment creation efforts of the expanded public works program through the employment of previously unemployed people.

### National Government: Local Government Finance Management Grant (FMG)



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>29. Transfers and subsidies (continued)</b>		
Current-year receipts	1,700,000	1,700,000
Conditions met - transferred to revenue	(1,700,000)	(1,700,000)
	-	-

The purpose of this grant is to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003 and to fund the internship programme.

### Greenest municipality competition

Current-year receipts	175,000	300,000
Conditions met - transferred to revenue	(121,215)	(200,700)
Unspent amount - transfer to payables from non-exchange transactions	(53,785)	(99,300)
	-	-

Conditions still to be met - remain liabilities (see note 18).

### Integrated national electrification programme grant (INEP)

Balance unspent at beginning of year	-	3,351,698
Current - year receipts	9,000,000	(3,351,698)
Conditions met - transferred to revenue	(9,000,000)	-
	-	-

Conditions still to be met - remain liabilities (see note 21).

This grant is used to address the electrification backlog of permanently occupied residential dwellings. The conditions of the grant were met and no funds have been withheld.

### Municipal infrastructure grant (MIG)

Current-year receipts	52,240,000	50,557,000
Conditions met - transferred to revenue	(52,240,000)	(50,557,000)
	-	-

Conditions still to be met - remain liabilities (see note 21).

The purpose of this grant is to construct basic municipal infrastructure to provide basic services for the benefit of poor households.

### National Government: Municipal Human Settlement Capacity

Balance unspent at beginning of year	-	785,908
Unspent amount - transfer to payables from non-exchange transactions	-	(785,908)
	-	-

Conditions still to be met - remain liabilities (see note 21).

### Housing Accreditation

Balance unspent at beginning of year	1,993,207	1,993,207
Reclassified from payables	(1,993,207)	-
	-	1,993,207

Conditions still to be met - remain liabilities (see note 21).

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>31. Employee related costs</b>		
Cellphone allowance	793,766	713,880
Employee benefits	17,807,522	8,086,892
Group insurance	1,911,086	1,468,926
Housing benefits and allowances	2,032,748	4,626,105
Leave pay provision charge	8,688,996	6,147,435
Medical aid - company contributions	26,808,961	24,324,870
Overtime and standby allowances	89,883,454	74,901,471
Pension fund contributions	55,326,785	49,716,689
Salaries	314,296,511	282,029,554
Travel and motor vehicle allowances	15,791,633	13,653,351
Unemployment insurance fund contributions	2,588,615	2,465,156
	<b>535,930,077</b>	<b>468,134,329</b>

### Municipal Manager: B Khenisa

Annual remuneration	1,276,376	994,349
Contributions to UIF, medical and pension funds	1,785	893
Performance bonuses	-	225,617
Travel allowance	121,385	60,000
	<b>1,399,546</b>	<b>1,280,859</b>

### Acting Municipal Manager: SM Mnguni

Annual remuneration	-	692,309
Cellphone allowance	-	15,627
Contributions to UIF, medical and pension funds	-	21,436
Performance bonuses	117,366	186,559
Travel allowance	-	78,100
	<b>117,366</b>	<b>994,031</b>

Received performance bonus in relation to the 2017/18 financial year.

### Executive Director Financial Services: E Wassermann

Annual remuneration	1,202,940	1,120,027
Cellphone allowance	-	4,400
Contributions to UIF, medical and pension funds	64,625	64,260
Performance bonuses	100,566	287,686
Travel allowance	118,095	116,038
	<b>1,486,226</b>	<b>1,592,411</b>

### Executive Manager Community Services: HC Hlatshwayo

Annual remuneration	-	1,121,210
Cellphone allowance	-	26,411
Performance bonuses	-	281,270
Contributions to UIF, medical and pension funds	-	37,223
Travel allowance	-	126,230
	-	<b>1,592,344</b>

Appointed 1 March 2013 until 30 June 2018.

### Executive Manager Infrastructure Services: TM Lelaka

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

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### 29. Transfers and subsidies (continued)

The purpose of the grant was to provide funding to build capacity to implement level 2 housing accreditation.

#### Arbor City Award

Current-year receipts	300,000	-
Conditions met - transferred to revenue	(299,655)	-
Transfer to Payables from non-exchange transactions	(345)	-
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 21).

Provide explanations of conditions still to be met and other relevant information.

#### Water Services Infrastructure Grant

Current-year receipts	16,800,000	-
Conditions met - transferred to revenue	(16,800,000)	-
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 21).

Provide explanations of conditions still to be met and other relevant information.

#### Mpumalanga: Capacity Building: LGSETA

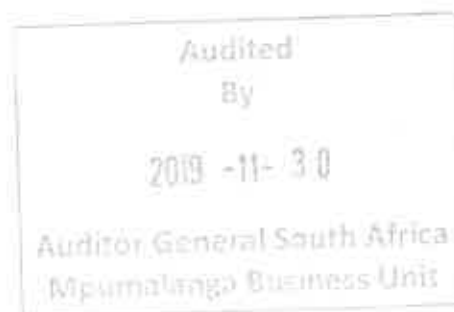
Current-year receipts	933,394	-
Conditions met - transferred to revenue	(933,394)	-
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 21).

Provide explanations of conditions still to be met and other relevant information.

### 30. Public contributions and donations

Public contributions and donations	<u>20,664,251</u>	<u>-</u>
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# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>31. Employee related costs (continued)</b>		
Annual remuneration	-	439,504
Performance bonuses	89,521	184,441
Contributions to UIF, medical and pension funds	-	84,531
Travel allowance	-	80,725
	<b>89,521</b>	<b>789,201</b>

Appointed 1 September 2017 until 30 June 2018.

### Acting Executive Manager Corporate Services: S Mothiba

Annual Remuneration	67,877	-
Performance bonuses	98,595	136,329
Contributions to UIF, Medical and Pension Funds	56,751	-
Travel Allowance	132,999	-
	<b>356,222</b>	<b>136,329</b>

### Executive Manager Community Services: T Zulu

Annual Remuneration	499,303	-
Performance Bonuses	104,074	-
Contributions to UIF, Medical and Pension Funds	123,064	-
Travel allowance	232,000	-
	<b>958,441</b>	<b>-</b>

Appointed 1 August 2018.

### Executive Manager Infrastructure Services: A Ntuli

Annual Remuneration	527,532	-
Contributions to UIF, Medical and Pension Funds	25,341	-
Travel Allowance	84,367	-
	<b>637,240</b>	<b>-</b>

Acting from 1 July 2018 to October 2018. Appointed on 1 November 2018.

### Executive Manager Corporate Services: M Khumalo

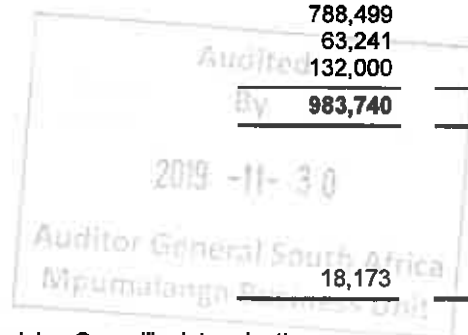
Annual Remuneration	788,499	-
Contributions to UIF, Medical and Pension Funds	63,241	-
Other	132,000	-
	<b>983,740</b>	<b>-</b>

Appointed on 1 November 2018.

### Acting Executive Manager Community Services: A Masiya

Annual Remuneration	18,173	-
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The remuneration of staff is within the upper limits of the SALGA Bargaining Council's determinations.



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>32. Remuneration of councillors</b>		
Executive Mayor	903,871	836,696
Chief whip	689,003	664,211
Mayoral Committee Members	4,134,018	3,986,766
Speaker	731,975	705,529
Councillors	16,289,233	15,697,822
	<b>22,748,100</b>	<b>21,891,024</b>

### In-kind benefits

The Executive Mayor, Chief Whip, Speaker, Mayoral Committee members and the MPAC chairperson are full-time. Each is provided with an office and secretarial support at the cost of the council. The executive mayor has use of a council owned vehicle and driver for official duties. The executive mayor has a personal assistant to assist him in his duties.

### Council remuneration is made up of the following

Chief whip	689,003	664,211
Councillors	16,289,233	15,697,822
Executive mayor	903,871	836,696
Mayoral committee members	4,134,018	3,986,766
Speaker	731,975	705,529
	<b>22,748,100</b>	<b>21,891,024</b>
Councillors	15,857,206	15,557,118
Cell phone and other allowances	2,560,329	2,567,741
Medical Aid Contributions	385,537	425,976
Pension Contributions	1,713,046	1,565,699
Motor vehicle allowance	2,231,982	1,774,489
	<b>22,748,100</b>	<b>21,891,023</b>

Salary, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution.

### 2019

	Annual remuneration	Travel allowances	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Executive Mayor - BJ Tolo	859,471	-	-	-	44,400	903,871
Speaker - AM Mabena	432,156	171,894	62,612	20,913	44,400	731,975
Chief Whip - SD Nkandimeng	398,140	161,151	57,463	27,849	44,400	689,003
	<b>1,689,767</b>	<b>333,045</b>	<b>120,075</b>	<b>48,762</b>	<b>133,200</b>	<b>2,324,849</b>
<b>Mayoral committee</b>	<b>Annual remuneration</b>	<b>Travel allowances</b>	<b>Pension contributions</b>	<b>Medical aid contributions</b>	<b>Cellphone and other allowances</b>	<b>Total</b>
Cllr MI Kgalema	404,036	161,151	58,503	20,913	44,400	689,003
Cllr NC Mkhuma	389,447	161,151	66,156	27,849	44,400	689,003
Cllr DJ Motsepe	539,227	-	78,095	27,281	44,400	689,003
Cllr J Matshiane	404,036	161,151	58,503	20,913	44,400	689,003
Cllr TE Mnguni	538,744	-	78,009	27,849	44,400	689,002
Cllr SM Malepeng	421,812	161,151	61,640	-	44,400	689,003
	<b>2,697,302</b>	<b>644,604</b>	<b>400,906</b>	<b>124,805</b>	<b>266,400</b>	<b>4,134,017</b>



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

2019

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### 32. Remuneration of councillors (continued)

Part time councillors	Annual remuneration	Travel allowances	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Cllr T P Mnisi	237,311	-	34,679	-	44,400	316,39
Cllr A B Marumo	271,990	-	-	-	44,400	316,39
Cllr GHE Romijn	203,992	67,998	-	-	44,400	316,39
Cllr TN Van Zyl	96,092	-	-	-	16,374	112,46
Cllr MN Mathibela	237,311	-	34,679	-	44,400	316,39
Cllr T S Motloung	237,311	-	34,679	-	44,400	316,39
Cllr N M Hadebe	177,983	67,998	26,009	-	44,400	316,39
Cllr L K Mahlangu	237,311	-	34,679	-	44,400	316,39
Cllr D D Kloppe	111,440	37,147	-	-	24,256	172,84
Cllr E Du Toit	237,311	-	34,679	-	44,400	316,39
Cllr J P Pretorius	177,983	67,998	26,009	-	44,400	316,39
Cllr DJ Skhosana	237,311	-	34,679	-	44,400	316,39
Cllr R G Mamogale	221,540	-	31,896	18,554	44,400	316,39
Cllr D L Paul	237,311	-	34,679	-	44,400	316,39
Cllr K P J Uys	237,311	-	34,679	-	44,400	316,39
Cllr AS Grobler	177,983	67,998	26,009	-	44,400	316,39
Cllr T E Motsepe	237,311	-	34,679	-	44,400	316,39
Cllr J Skosana	271,990	-	-	-	44,400	316,39
Cllr H F Niemann	177,983	67,998	26,009	-	44,400	316,39
Cllr A O Thabatha	237,311	-	34,679	-	44,400	316,39
Cllr S J Roos	203,992	67,998	-	-	44,400	316,39
Cllr D A Stuurman	271,990	-	-	-	44,400	316,39
Cllr E M Bruiners	271,990	-	-	-	44,400	316,39
Cllr A Struwig	231,191	40,799	-	-	44,400	316,39
Cllr L J N Zondo	215,356	-	30,804	25,829	44,400	316,38
Cllr H G De Klerk	182,775	67,998	-	21,218	44,400	316,39
Cllr T P Motau	177,983	68,001	26,009	-	44,400	316,39
Cllr S Wait	203,992	67,998	-	-	44,400	316,39
Cllr K J Phasha	237,311	-	34,679	-	44,400	316,39
Cllr A M Mahlangu	237,311	-	34,679	-	44,400	316,39
Cllr J Dyason	271,990	-	-	-	44,400	316,39
Cllr P V Malinga	177,983	-	26,009	-	33,300	237,29
Cllr S M Mogola	251,077	-	-	20,913	44,400	316,39
Cllr L C Masemula	271,990	-	-	-	44,400	316,39
Cllr P R Mailola	177,983	67,998	26,009	-	44,400	316,39
Cllr M C Mosoma	177,983	67,998	26,009	-	44,400	316,39
Cllr N J Mthombeni	177,983	67,998	26,009	-	44,400	316,39
Cllr M M Skhosana	237,311	-	34,679	-	44,400	316,39
Cllr E Sebeshe	177,983	67,998	26,009	-	44,400	316,39
Cllr P Mobango	169,207	67,998	-	34,786	44,400	316,39
Cllr J P Duvenage	177,983	67,998	26,009	-	44,400	316,39
Cllr A Mangcotywa	237,311	-	34,679	-	44,400	316,39
	<b>9,002,761</b>	<b>1,097,919</b>	<b>834,305</b>	<b>121,300</b>	<b>1,805,530</b>	<b>12,861,81</b>

Audited  
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Auditor General South Africa  
Mpumalanga Business Unit

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

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### 32. Remuneration of councillors (continued)

Chairpersons	Annual remuneration	Travel allowances	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Cllr R M Xaba	379,870	156,423	54,614	34,786	44,400	670,093
Cllr T R Vilakazi	304,551	-	44,505	-	44,400	393,456
Cllr P M Masilela	286,774	-	41,368	20,913	44,400	393,455
Cllr T N Morufane	304,551	-	44,505	-	44,400	393,456
Cllr M Masina	304,551	-	44,505	-	44,400	393,456
Cllr M Mphogo	304,551	-	44,505	-	44,400	393,456
Cllr M J Sekgwele	304,551	-	44,505	-	44,400	393,456
Cllr J M Mitchell	277,968	-	39,259	34,970	44,400	396,597
	<b>2,467,367</b>	<b>156,423</b>	<b>357,766</b>	<b>90,669</b>	<b>355,200</b>	<b>3,427,425</b>

### 2018

	Annual remuneration	Travel allowances	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Executive Mayor MAS Masina	508,948	-	57,912	52,951	33,300	653,111
Executive Mayor BJ Tolo	173,070	-	-	-	10,516	183,586
Speaker AM Mabena	429,474	151,508	60,234	19,913	44,400	705,529
Chief whip SD Nkadameng	395,962	142,040	55,292	26,517	44,400	664,211
	<b>1,507,454</b>	<b>293,548</b>	<b>173,438</b>	<b>99,381</b>	<b>132,616</b>	<b>2,206,437</b>

### Mayoral committee

	Annual remuneration	Travel allowances	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Cllr DJ Motsepe	529,371	-	65,390	25,050	44,400	664,211
Cllr MI Kgalema	414,488	129,127	56,283	19,913	44,400	664,211
Cllr JM Mitchell	468,991	-	56,207	30,468	40,700	596,366
Cllr J Matshlane	401,576	142,040	56,283	19,913	44,400	664,212
Cllr MTE Mnguni	528,124	-	65,170	26,517	44,400	664,211
Cllr SM Malepeng	418,502	142,040	59,269	-	44,400	664,211
Cllr NC Mkhuma	42,447	12,913	8,032	2,253	3,700	69,345
	<b>2,803,499</b>	<b>426,120</b>	<b>366,634</b>	<b>124,114</b>	<b>266,400</b>	<b>3,986,767</b>

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

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### 32. Remuneration of councillors (continued)

Part time councillors	Annual remuneration	Travel allowances	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Cllr TP Mnisi	232,352	-	29,177	-	44,400	305,929
Cllr AB Marumo	261,529	-	-	-	44,400	305,929
Cllr CHE Romijn	196,147	65,382	-	-	44,400	305,929
Cllr NT Van Zyl	261,529	-	-	-	44,400	305,929
Cllr MN Mathibela	232,352	-	29,177	-	44,400	305,929
Cllr TS Motloung	232,352	-	29,177	-	44,400	305,929
Cllr NM Hadebe	175,306	65,382	20,841	-	44,400	305,929
Cllr PN Sithole	29,523	11,051	-	5,066	4,730	50,370
Cllr LK Mahlangu	232,352	-	29,177	-	44,400	305,929
Cllr E Du Toit	232,352	-	29,177	-	44,400	305,929
Cllr JP Pretorius	171,138	65,382	25,009	-	44,400	305,929
Cllr DJ Skhosana	232,352	-	29,177	-	44,400	305,929
Cllr RG Mamogale	217,370	-	26,533	17,626	44,400	305,929
Cllr DL Paul	232,352	-	29,177	-	44,400	305,929
Cllr KPJ Uys	232,352	-	29,177	-	44,400	305,929
Cllr AS Grobler	171,138	65,382	25,009	-	44,400	305,929
Cllr TE Motsepe	232,352	-	29,177	-	44,400	305,929
Cllr M Mbatwe	217,537	-	30,254	19,913	44,400	312,104
Cllr J Skosana	261,529	-	-	-	44,400	305,929
Cllr HF Niemann	171,138	65,382	25,009	-	44,400	305,929
Cllr AO Thabatha	170,534	-	22,925	-	32,795	226,254
Cllr SJ Roos	196,147	65,382	-	-	44,400	305,929
Cllr DA Stuurman	261,529	-	-	-	44,400	305,929
Cllr EM Bruiners	261,529	-	-	-	44,400	305,929
Cllr A Struwig	222,300	39,229	-	-	44,400	305,929
Cllr LJJ Zondo	225,079	-	27,893	8,557	44,400	305,929
Cllr HG De Klerk	173,096	65,382	-	23,051	44,400	305,929
Cllr TP Motau	187,484	49,037	25,009	-	44,400	305,930
Cllr S Waii	196,147	65,382	-	-	44,400	305,929
Cllr KJ Phasha	232,352	-	29,177	-	44,400	305,929
Cllr AM Mahlangu	232,352	-	29,177	-	44,400	305,929
Cllr J Dyason	261,529	-	-	-	44,400	305,929
Cllr SM Mogola	241,616	-	-	19,913	44,400	305,929
Cllr LC Masemula	261,529	-	-	-	44,400	305,929
Cllr PR Mailola	176,587	59,934	25,009	-	44,400	305,930
Cllr MC Mosoma	171,138	65,382	25,009	-	44,400	305,929
Cllr NJ Mthombeni	171,138	65,382	25,009	-	44,400	305,929
Cllr MM Skhosana	240,688	-	20,841	-	44,400	305,929
Cllr E Sebeshe	171,138	65,382	25,009	-	44,400	305,929
Cllr P Mobango	209,889	21,794	-	29,846	44,400	305,929
Cllr JP Duvenage	171,138	65,382	25,009	-	44,400	305,929
Cllr A Mangcotywa	232,352	-	29,177	-	44,400	305,929
	<b>8,892,343</b>	<b>965,629</b>	<b>724,492</b>	<b>123,972</b>	<b>1,813,525</b>	<b>12,519,961</b>

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Auditor General South Africa  
Mpehlang Business Unit

**Steve Tshwete Local Municipality**  
Annual Financial Statements for the year ended 30 June 2019

**Notes to the Annual Financial Statements**

Figures in Rand

	2019	2018				
<b>32. Remuneration of councillors (continued)</b>						
<b>Chairpersons</b>						
	Annual remuneration	Travel allowance	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Cllr RM Xaba	306,475	89,188	46,086			519,271
Cllr TR Vilakazi	298,186	-	37,444	33,122	44,400	380,030
Cllr PM Masilela	281,260	-	34,457		44,400	380,030
Cllr TN Morufane	298,186	-	37,444	19,913	44,400	380,030
Cllr M Masina	298,186	-	37,444	-	44,400	380,030
Cllr M Mphego	298,186	-	37,444	-	44,400	380,030
Cllr MJ Sekgwele	298,186	-	37,444	-	44,400	380,030
Cllr NC Mkhuma	253,159	-	37,444	-	44,400	380,030
Cllr JM Mitchell	21,998	-	30,238	22,646	40,700	346,743
	<u>2,353,822</u>	<u>89,188</u>	<u>301,143</u>	<u>78,510</u>	<u>355,200</u>	<u>3,177,863</u>
<b>33. Depreciation and amortisation</b>						
Property, plant and equipment				193,936,702		150,078,790
Intangible assets				1,073,972		748,797
				<u>195,010,674</u>		<u>150,827,587</u>
<b>34. Impairment of assets</b>						
<b>Impairments</b>						
Property, plant and equipment				(1,386,416)		558,226
During the year assets identified which is no longer in use were impaired. These assets remaining service potential and/or future economic benefits are estimated to be R0 or an immaterial amount.						
Intangible assets				-		453,549
During the year assets identified which is no longer in use were impaired. These assets remaining service potential and/or future economic benefits are estimated to be R0.						
Trade and other receivables				29,975,866		18,053,199
Accounts receivable with the following indicators were assessed for impairment. Receivable in liquidation / sequestration, last payment received was over 60 days from reporting date, receivable has been handed over for debt collection, account has been indicated as inactive, bad debt or have an arrangement or the receivable has a balance of 90 day and longer outstanding.						
				<u>28,589,450</u>		<u>19,064,974</u>
<b>Reversal of impairments</b>						
Receivables from non-exchange revenue						(2,147,961)
Accounts receivable from traffic fines were assessed for impairment. The assessment were based on the past years payment rate and traffic fines older than 12 months. Bad debts were written off for traffic fines older than 3 years, which resulted in a impairment reversal.						
<b>Impairment losses (recognised) reversed</b>						
				<u>28,589,450</u>		<u>16,917,013</u>

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>35. Finance costs</b>		
Long term liabilities: annuity loans	17,132,253	6,141,895
Finance leases	672,471	541,069
Landfill rehabilitation provision	2,096,584	2,054,470
Long service award liability: actuarial valuation	1,671,328	1,957,000
	<b>21,572,636</b>	<b>10,694,434</b>
The interest expenses are calculated using the effective interest rate on borrowings. The interest rate vary between 9% and 10% (2018: 9% to 13%).		
<b>36. Bulk purchases</b>		
Electricity	434,578,330	402,962,285
Water	21,014,189	17,194,312
	<b>455,592,519</b>	<b>420,156,597</b>
<b>Distribution losses</b>		
Electricity	10.99%	8.63%
Water	16.80%	19.34%
<b>37. Contracted services</b>		
Consultants and professional services	53,283,960	15,891,681
Contractors	88,210,351	90,252,089
Outsourced services	44,746,852	35,979,974
	<b>186,241,163</b>	<b>142,123,744</b>
<b>38. Transfers and subsidies paid</b>		
...sm centre	430,000	400,000
Bereavement assistance employee	50,000	64,386
Society for the prevention of cruelty for animals (SPCA)	900,000	250,000
Forever resorts marathon	50,000	45,000
Business linkage centre	140,000	300,000
Rotary, schools and other	357,847	160,000
	<b>1,927,847</b>	<b>1,819,386</b>

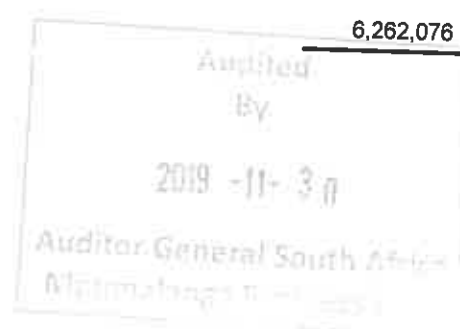


**Steve Tshwete Local Municipality**  
Annual Financial Statements for the year ended 30 June 2019

**Notes to the Annual Financial Statements**

Figures in Rand

	2019	2018
<b>39. Operational costs</b>		
Tourism development		
Advertising and publicity	63,322	244,500
Assets expensed	6,562,964	6,800,849
Auditors remuneration	390,586	429,965
Bank charges	6,262,076	4,627,067
Bursaries	3,025,725	4,117,467
Cleaning	1,240,699	971,156
Commission paid	15,760	-
Communications	12,144,536	9,474,591
Deeds	7,275,005	7,724,422
Entertainment	377,002	165,108
External computer services	395,052	381,280
Hire of equipment	5,273,288	2,568,124
Insurance	937,140	1,253,074
Learnership and internship	3,929,882	9,949,801
Motor vehicle license and registrations	3,190,675	2,445,173
Municipal services	1,594,534	1,237,572
Printing, publications and books	-	1,500
Registration fees	335,180	140,076
Remuneration to Ward Committees	265,701	227,543
Signage	3,644,985	3,738,110
Skills development levies	1,749,270	1,498,942
Subscriptions and membership fees	4,526,296	4,094,366
Transport and freight	4,822,809	5,456,254
Travel and subsistence	311,960	172,704
Uniform and protective clothing	2,116,655	1,941,470
Water research levy	4,790,595	3,197,617
Workmen's Compensation Fund	392,439	361,418
	2,321,417	2,401,127
	<b>77,955,553</b>	<b>75,621,276</b>
<b>40. Auditors' remuneration</b>		
Fees	6,262,076	4,627,067



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>41. Cash generated from operations</b>		
Surplus	26,745,335	95,373,477
<b>Adjustments for:</b>		
Depreciation and amortisation	195,010,674	150,865,485
Loss on disposal of assets and liabilities	4,716,469	10,562,861
Finance costs - Finance leases	672,471	-
Interest cost: Actuarial valuations	-	12,890,470
Impairment deficit	-	16,916,908
Impairment	28,589,450	-
Bad debts written off	8,264,210	16,877,648
Movements in operating lease assets and accruals	-	(1,268,225)
Movements in retirement benefit assets and liabilities	8,906,560	(8,098,173)
Movements in provisions	9,756,055	724,977
Inventories losses/write-downs	847,234	1,536,699
Provision - long service award	2,265,370	(262,039)
Other non-cash items	-	929,874
<b>Changes in working capital:</b>		
Inventories	3,508	5,031,067
Other receivables from exchange transactions	(21,723,989)	(3,388,268)
Receivables from exchange transactions	(5,208,899)	2,514,752
Other receivables from non-exchange transactions	(17,667,620)	(12,764,056)
Investments	(1,427,422)	-
Deposits	1,600,888	-
Payables from exchange transactions	60,828,976	(817,000)
VAT	(38,340,484)	(31,139,587)
Taxes and transfers payable (non exchange)	-	(1,201,096)
Unspent conditional grants and receipts	(1,993,207)	(33,416)
Consumer deposits	-	2,102,614
Long service awards	-	26,293
	<b>261,845,579</b>	<b>257,381,365</b>

## 42. Financial instruments disclosure

### Categories of financial instruments

#### 2019

#### Financial assets

	At amortised cost	Total
Long term receivables	1,023	1,023
Other receivables from exchange transactions	33,668,282	33,668,282
Receivables from non-exchange transactions	36,069,855	36,069,855
Receivables from exchange transactions	29,823,732	29,823,732
Investments	450,000,000	450,000,000
Deposits	2,297,982	2,297,982
Cash and cash equivalents	241,747,407	241,747,407
	<b>793,608,281</b>	<b>793,608,281</b>

#### Financial liabilities

	At amortised cost	Total
Long term liabilities	321,170,717	321,170,717
Finance lease obligation	11,609,517	11,609,517
Payables from exchange transactions	253,681,812	253,681,812
Payables from non-exchange transactions	3,347,093	3,347,093

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

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	2019	2018
<b>42. Financial instruments disclosure (continued)</b>		
Deposits	73,081,386	73,081,386
Long service awards	24,226,288	24,226,288
	<b>687,116,813</b>	<b>687,116,813</b>
<b>2018</b>		
<b>Financial assets</b>		
	At amortised cost	Total
Long term receivables	11,364	11,364
Other receivables from exchange transactions	24,934,082	24,934,082
Receivables from non-exchange transactions	28,783,534	28,783,534
Receivables from exchange transactions	38,756,390	38,756,390
Investments	597,711,000	597,711,000
Deposits	2,273,307	2,273,307
Cash and cash equivalents	73,070,669	73,070,669
	<b>765,540,346</b>	<b>765,540,346</b>
<b>Financial liabilities</b>		
	At amortised cost	Total
Long term liabilities	183,034,355	183,034,355
Finance lease obligation	4,571,812	4,571,812
Payables from exchange transactions	167,165,636	167,165,636
Payables from non-exchange transactions	1,284,406	1,284,406
Consumer deposits	92,571,159	92,571,159
Unspent conditional grants and receipts	3,277,613	3,277,613
Long service awards	20,289,590	20,289,590
	<b>472,194,571</b>	<b>472,194,571</b>





**Steve Tshwete Local Municipality**  
Annual Financial Statements for the year ended 30 June 2019

**Notes to the Annual Financial Statements**

	2019	2018
Figures in Rand		
<b>43. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Community assets	6,189,397	24,529,342
• Infrastructure	45,868,758	58,510,583
• Intangible assets	-	4,137,373
• Machinery and equipment	1,942,003	3,081,615
• Other assets	860,074	1,036,966
• Transport assets	1,353,806	345,301
• Computer Equipment	12,595,160	-
• Land and buildings	-	43,372
	<b>68,809,198</b>	<b>91,684,552</b>
<b>Total capital commitments</b>	<b>68,809,198</b>	<b>91,684,552</b>
Already contracted for but not provided for		
<b>Total commitments</b>		
<b>Total commitments</b>	<b>68,809,198</b>	<b>91,684,552</b>
Authorised capital expenditure		
<b>This expenditure will be financed from:</b>		
Capital replacement reserve	14,899,170	32,378,177
External loans	38,929,249	35,307,788
Government grants	14,980,779	23,998,586
	<b>68,809,198</b>	<b>91,684,551</b>



## Notes to the Annual Financial Statements

Figures in Rand

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### 44. Contingencies

1. MP Mahlangu – claim against the municipality for emotional shock caused from the wrongful arrest and assault of his father. The amount is yet to be determined. Matter referred to council's insurance.
2. KJ Mahlangu – claim against the municipality for unlawful arrest, assault, detention and prosecution. Amount is yet to be determined. Matter referred to council's insurance.
3. S Mokwana – claim in the amount of R100 000 against the municipality for wrongful arrest and assault of a third party. Matter referred to council's insurance.
4. MP Mahlangu – claim against the municipality for misallocation of land. Amount is yet to be determined. Matter referred to council's insurance.
5. MM Eysell – claim against the municipality for damages caused to property as a result of the blasting activity at Shanduka Graspan Colliery. Amount is yet to be determined. Matter referred to council's insurance.
6. Mr CH van Dyk – claim in the amount of R73 376 against the municipality for damages caused to his vehicle after colliding with a vehicle belonging to the municipality. Matter referred to council's insurance.
7. Mr T Ngwenya – claim in the amount of R65 001 against the municipality for damage to property caused by a water pipe that burst. Matter referred to council's insurance.
8. Elusindisweni Primary School – claim against the municipality for damage to property caused by the municipality's vehicle that drove through it. Amount is yet to be determined. Matter referred to council's insurance.
9. Mrs Blignaut – claim in the amount of R14 931 against the municipality for damages caused to third party vehicle after colliding with a pothole. Matter is referred to council's insurance.
10. Mr R Ramothibe – claim against the municipality for damages caused to property by a water pipe that burst. Amount is yet to be determined. Matter referred to council's insurance.
11. Mrs S Mzotho – claim against the municipality for damage to electronic appliances caused by a surge in power. Amount is yet to be determined. Matter referred to council's insurance.
12. M Maela – claim against the municipality for damage to electrical appliances caused by a surge in power. Amount is yet to be determined. Matter referred to council's insurance.
13. L Mosiane – claim against the municipality for damage to electrical appliances caused by a surge in power. Amount is yet to be determined. Matter referred to council's insurance.
14. M Sekhuto – claim against the municipality for damage to electrical appliances caused by a surge in power. Amount is yet to be determined. Matter referred to council's insurance.
15. Masilela and Mdluli – claim against the municipality for damage to electrical appliances caused by a surge in power. Amount is yet to be determined.
16. TM Mpila – claim against the municipality for damage to electrical appliances caused by a surge in power. Amount is yet to be determined. Matter referred to council's insurance.
17. Mrs BK Mabuza – claim in the amount of R9 400 against the municipality for damage to property caused by a water pipe that burst. Matter referred to council's insurance.
18. Telkom Soc Ltd – claim in the amount of R7 591 against the municipality for damage caused to fibre optic cables. Matter referred to council's insurance.
19. Mr A Mathebula – claim against the municipality in the amount of R500 000 against the municipality for being assaulted by traffic officers. Matters referred to council's insurance.
20. Camm Trans – claim against the municipality for loss of income. Amount is yet to be determined. Matter referred to council's insurance.

**Notes to the Annual Financial Statements**

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Figures in Rand

**44. Contingencies (continued)**

21. S Sibanyoni – claim against the municipality for damage to property caused by a water pipe that burst. Amount is yet to be determined. Matter referred to council's insurance.
22. Ekwazini Secondary School – claim against the municipality for damage to property caused by municipal employees. Amount is yet to be determined. Matter referred to council's insurance.
23. Mr P Maseko – claim in the amount of R1 000 for food that got spoilt as a result of a power outage. Matter referred to council's insurance.
24. Mr D Khumalo – claim in the amount of R13 493 against the municipality for damages caused to third party vehicle after colliding with a pothole. Matter referred to council's insurance.
25. Mrs L Skosana – claim against the municipality for damages caused to third party vehicle after colliding with pothole. Amount is yet to be determined. Matter referred to council's insurance.
26. Mrs BS McPherson – claim against the municipality for damage caused to electrical appliances by a power outage. Amount is yet to be determined. Matter referred to council's insurance.
27. Mrs SL Maseko – claim against the municipality for damage to property caused by a water pipe that burst. Amount is yet to be determined. Matter referred to council's insurance.
28. AC Raynard – claim in the amount of R4 788 against the municipality for clearing a manhole that was blocked. Matter referred to council's insurance.
29. Midhend Investment CC – claim in the amount of R15 000 against the municipality for demolition of the third party's structure. Matter referred to council's insurance.
30. KJ Thubane – claim in the amount of R3 343 against the municipality for damages to vehicle after colliding with a rock on the road. Matter referred to council's insurance.
31. Ned Consortium – claim in the amount of R154 389 against the municipality for the illegal termination of a contract. Matter referred to council's insurance.
32. Mr and Mrs Vilane – claim in the amount of R81 754 against the municipality for damages of property caused by a water pipe that burst.
33. Mr and Mrs Letsoalo – claim in the amount of R102 225.91 against the municipality for damage to property caused by a water pipe that burst. Matter referred to council's insurance.
34. SJ Mollentze – claim in the amount of R510 000 against the municipality for injuries sustained after a tree stump fell on her. Matter referred to council's insurance.
35. NS Mahlangu – claim in the amount of R46 500 against the municipality for damage to property caused by a water pipe that burst. Matter referred to council's insurance.
36. ZL Maseko – claim against the municipality for damage to property caused by an electrical pole that fell on her house. Amount is yet to be determined. Matter referred to council's insurance.
37. K Mabhoko – claim in the amount of R200 000 against the municipality for assault by traffic officers. Matter referred to council's insurance.
38. A. N Maseko – this is a claim against the municipality in the amount of R 3 400 for loss of cell phone after falling into a hole.
39. B.J Van Der Merwe – this is a claim against the municipality in the amount of R 980 for damage to vehicle caused by a pothole.
40. B Makhoba – this is a claim against the municipality in the amount of R 17 595 for damages to electrical appliances.
41. B Lummis – this is a claim against the municipality in the amount of R 15 518 for damage to vehicle caused by a pothole.

**Notes to the Annual Financial Statements**  
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**44. Contingencies (continued)**

42. C.A Mphahla – this is a claim against the municipality for damages to property caused by a power cut. Amount is yet to be determined.
43. C. Badenhorst – this is a claim against the municipality in the amount of R 200 000 for wrongful arrest.
44. Everest Funerals – this is a claim against the municipality in the amount of R 4 450 for damages to vehicle after colliding with Council's vehicle.
45. Extension 8 residents – this is a claim against the municipality for damage to electrical appliances caused by a surge in power. The amount of the claim is yet to be determined.
46. F. Mukiwe – this is a claim against the municipality in the amount of R 100 000 for unlawful demolition of structure.
47. S. Simelane – this is a claim against the municipality in the amount of R 11 105 for damage to vehicle after colliding with a pothole.
48. H. Mabuza – this is a claim against the municipality in the amount of R 16 999 for damage to electrical appliances caused by a surge in power
49. J.L Phokane – this is a claim against the municipality for a damaged boundary wall.
50. L Marcus – this is a claim against the municipality for damage to vehicle caused by a pothole.
51. L. Davis – this is a claim against the municipality in the amount of R 3 000 for damages to vehicle caused by a pothole.
52. L. Kriel – this is a claim against the municipality in the amount of R 6 790 for damaged gate motor.
53. M M. Mndawe – this is a claim against the municipality for damaged electrical appliances.
54. M. Tshoma – this is a claim against the municipality for damage to property caused by a water pipe that burst.
55. Mayivuthe – this is a claim against the municipality in the amount of R 719 322 for a damaged surge arrestor machine.
56. N.S Smit – this is a claim against the municipality for damage to a vehicle by a pothole.
57. N.J Potgieter – this is a claim against the municipality in the amount of R 396 500 for assault by traffic officials.
58. P.P Mahlangu – this is a claim against the municipality for damage to property caused by a burst pipe.
59. Middelburg Power Supplies – this is a claim against the municipality in the amount of R 657 540 for unpaid invoices.
60. J. Smit – this is a claim in the amount of R 5 083 against the municipality for damages to vehicle caused by a pothole.
61. Telkom (Wilge Street) – this is a claim in the amount of R 20 810 against the municipality for damages to infrastructure.
62. Telkom (Without Street) – this is a claim in the amount of R 18 360 against the municipality for damages to infrastructure.
63. P. Mjadana – this is a claim in the amount of R 15 620 for damages to vehicle caused by a rock that was left on the road.
64. P.S Vermaak – this is a claim in the amount of R 10 377 for damages to vehicle caused by a pothole.
65. D. Tlou – this is a claim in the amount of R 8 245 for damages to vehicle caused by a pothole.
66. E. Mubwanda – this is a claim against the municipality for damages to electrical appliances. The amount is yet to be determined.
67. E. Mokwana – this is a claim against the municipality for damages to electrical appliances. The amount is yet to be determined.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

2019

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### 44. Contingencies (continued)

68. M.C Mtsweni - this is a claim against the municipality for damages to electrical appliances. The amount is yet to be determined.
69. S.S Maseko - this is a claim in the amount of R 10 000 for damages to vehicle caused by a rock that was left on the road.
70. S.E Mahlangu - this is a claim against the municipality in the amount of R 16 682 for damages to vehicle caused by a rock that was left on the road.
71. M. Wantenaar - this is a claim against the municipality in the amount of R 3 003 for damages to vehicle.
72. H. Dibakwane - this is a claim against the municipality in the amount of R 5 350 for damage to electrical appliances.
73. Ophrus Phaphedi Makobe - The municipality is been sued for damage to vehicle for the amount of R12440.27.
74. Thabo Joseph Mampuru - This is a claim in the amount R 2 000 000.00 against the municipality for bodily injuries sustained after the floor of a municipal building collapsed. Matter referred to Council's insurers.
75. Telkom - This is a claim in the amount of R 2 503.91 against the municipality for damages caused to Telkom infrastructure as Hans Strydom Street in Dennesig.
76. Telkom - This is a claim in the amount of R 4275.30 against the municipality for damages caused to Telkom infrastructure at Tambo Street in Aerorand.
77. Telkom - This is a claim in the amount of R 3 075.73 against the municipality for damages caused to Telkom infrastructure at Tambo Street in Aerorand. (1577710)
78. LS Incorporated - This is claim against the municipality in the amount of R 50 509.36 for damage to vehicle as a result of a collision with Council vehicle (CWN395MP). Matter referred to Council's insurers.
79. Wouter Grobler - This a claim against the municipality in the amount of R 23 769.50 for damage to vehicle as a result of a collision with the Council vehicle (HPL475MP). Matter referred to Council's insurers.
80. NDB Consulting - This is a claim in the amount of R116 160.96 non-payment and breach of agreement.
81. Sivuthumlilo Trading - This is a claim in the amount of R2 994 996.90 for non-payment and breach of agreement.
82. Lucky Anthony Mbokodo - This is claim in the amount of R250 000.00 against the municipality for unlawful arrest and detention.
83. Leandri Pretorius - This is a claim in the amount of R300 000.00 against the municipality for being sexually assaulted by traffic officers.
84. N.O Matinisi - This is a claim against the municipality for damage to property caused by electricity meter box that exploded. Quantum to be determined.

### Contingent assets

Contingent assets to the amount of R2 273 149 (2018) R2 182 711 was implemented by the Nkangala District Municipality. These assets will be transfer to the municipality on completion date. The assets are:

- 1) Somaphepha Road R945,007
- 2) Tokologo (Ezinyokeni) Road R1,328,072

### 45. Related parties

Relationships  
Councillors  
Key management

Refer to note 32  
Refer to note 31

**Steve Tshwete Local Municipality**  
Annual Financial Statements for the year ended 30 June 2019

**Notes to the Annual Financial Statements**

Figures in Rand

**46. Prior-year adjustments**

Presented below are those items contained in the statement of financial position and statement of financial performance that have been affected by prior-year adjustments:

**Statement of financial position**

**2018**

	Note	As previously reported	Correction of error	Re-classification	Restated
Current assets					
Other receivables from exchange transactions		24,934,082	-	727,537	25,661,619
Receivables from exchange transactions		38,756,390	546,852	-	39,303,242
Non-current assets					
Property, plant and equipment		6,330,640,493	23,409,275	-	6,354,049,768
Current liabilities					
Payables from exchange transactions		(167,165,636)	-	(21,761,744)	(188,927,380)
Deposits		(22,382,419)	-	21,034,207	(1,348,212)
Non-current liabilities					
Net assets					
Accumulated surplus - balance 1 July 2017		(6,646,312,865)	(23,956,127)	-	(6,670,268,992)
		<b>(441,529,955)</b>	<b>-</b>	<b>-</b>	<b>(441,529,955)</b>

**Errors**

Property, plant and Equipment: The correction of error was relating to write off of duplicate roads assets on municipality register and brought the new assets using Deemed replacement cost (DRC).

Other receivables from exchange transactions: Reclassification creditors with debit balance that was previously disclosed under Payables from exchange transactions.

Payables from exchange transactions: Reclassification creditors with debit balance that was previously disclosed under Payables from exchange transactions, moved to Other receivables from exchange transactions. As well as reclassification from Unallocated deposits in Payables from exchange transactions note to the Deposits note.

Deposits: Reclassification from Unallocated deposits in Payables from exchange transactions note to the Deposits note.

Receivables from exchange transactions: The correction of error is as a result of Refuse removal that was previously not billed.

**47. Risk management**

**Financial risk management**

The municipality's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk and price risk), credit risk and liquidity risk.

Audited  
By  
2019-11-30  
Auditor General South Africa

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 47. Risk management (continued)

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term liabilities	18,517,051	34,892,751	46,309,900	221,529,381
Payables from exchange transactions	159,225,354	2,376,498	76,047,930	-
Payables from non-exchange transactions	1,338,837	234,297	334,709	1,104,541
At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term liabilities	16,827,837	13,792,058	49,563,052	102,851,408
Payables from exchange transactions	113,131,161	749,156	55,758,305	-
Payables from non-exchange transactions	843,708	139,415	214,409	-

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial assets exposed to credit risk at year end were as follows:

	2019	2018
Financial instrument		
Long term receivables	1,023	11,364
Other receivables from exchange transactions	33,668,282	24,934,082
Receivables from non-exchange transactions	36,069,855	28,783,534
Receivables from exchange transactions	29,823,732	38,756,390
Investments	450,000,000	597,711,000
Deposits	2,297,982	-
Cash and cash equivalents	241,747,407	73,070,669

#### Market risk

##### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

### 48. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

	2019	2018
<b>49. Unauthorised expenditure</b>		
Opening balance		
Planning and development (CAPEX)	26,033,434	1,415,381
Executive and council	1,296,921	61,044
Roads transport	25,741,015	17,893,218
Trading services: Water management	-	5,585,975
Trading services: Waste management	-	397,995
Public Safety	599,264	2,095,202
Sport and Recreation	668,810	-
Authorised by council	206,885	-
	(23,170,942)	(1,415,381)
	<b>31,375,387</b>	<b>26,033,434</b>

2019

Executive and council: Expenditure relates employee stated benefits provision which were higher than provided for in the budget process.

Public Safety is due to depreciation and provision.

There is no overspending in the overall budget of the Municipality.

### 50. Fruitless and wasteful expenditure

Opening balance		
Additions	880	140,881
Written off by council	68,982	-
Recovered	-	(140,001)
	(13,440)	-
	<b>56,422</b>	<b>880</b>

Total additions are made of R12 041.57 which was for the payment of ICLEI study tour and was recovered from the executive Director Community services, and amount of R39 441.13 for interest charged on Eskom accounts for late payments. R17 500.00 is balance that was not carried over from certificate no 5 to certificate no.8 of the project Vaabank Skitepan. R1 399.52 was recovered from the officials responsible for the late payments mand R38 041.99 was paid by the municipality to Eskom. Still awaiting for final investigation.

### 51. Irregular expenditure

Opening balance		
Add: Irregular expenditure - current year	5,907,132	54,311,012
Less: Expenditure written off	22,545,342	5,179,899
	(24,461,437)	(53,583,779)
	<b>3,991,037</b>	<b>5,907,132</b>

The Municipal Public Accounts Committee investigated the above irregular expenditures. An attorney was appointed to investigate and make recommendations. It was found that although the deviations did not comply with the supply chain policy, they acted in good faith and value for money was received. It was recommended to Council to write off the expenditure.

Irregular expenditure identified during the audit: R1 244 250 due to Quotations procedure followed instead of competitive bidding and R185 340 was due to non-compliance with Local content.

#### Details of irregular expenditure – current year

Bid adjudication committee not complying	Disciplinary steps taken/criminal proceedings	
Identified during the audit - Quotations procedure followed instead of competitive bidding	None	21,115,752
Identified during the audit - Non-compliance with Local content.	None	1,244,250
		185,340
		<b>22,545,342</b>



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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### 52. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to SALGA

Current year fee	4,746,400	5,363,709
Amount paid - current year	(4,746,400)	(5,363,709)
	-	-

#### Audit fees

Current year fee	6,262,076	4,627,067
Amount paid - current year	(6,262,076)	(4,627,067)
	-	-

#### PAYE and UIF

Current year payroll deductions (PAYE)	73,663,431	63,510,057
Current year payroll deductions (UIF)	5,189,230	4,942,745
Amount paid - current year (PAYE)	(73,663,431)	(63,510,057)
Amount paid - current year (UIF)	(5,189,230)	(4,942,745)
	-	-

#### Pension and medical aid deductions

Current year payroll deductions (medical aid)	46,914,177	41,686,511
Current year payroll deductions (pension fund)	79,690,530	71,648,348
Amount paid - current year (medical aid)	(46,914,177)	(41,686,511)
Amount paid - current year (pension fund)	(79,690,530)	(71,648,348)
	-	-

#### VAT

VAT receivable	62,263,664	37,581,156
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All VAT returns have been submitted by the due date throughout the year.



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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### 52. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019 and 30 June 2018.

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
LK Mahlangu	-	2,206	2,206
J Skosana	-	440	440
TR Vilakazi	1,684	-	1,684
TP & HK Motau	2,462	-	2,462
DJ Motsepe	808	-	808
JP Duvenage (Duwenage M.S)	-	51,846	51,846
JN Mthombeni (JJ Mogakwa)	573	-	573
E Sebesho	814	-	814
	<b>6,341</b>	<b>54,492</b>	<b>60,833</b>
30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
TR Vilakazi	734	-	734
TP & HK Motau	546	-	546
TR Vilakazi	375	-	375
NM Mathibela	142	-	142
PN Sithole	307	-	307
MC Mphego	67	-	67
JP Duvenhage	4,021	48,163	52,184
	<b>6,192</b>	<b>48,163</b>	<b>54,355</b>

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Paragraph 45(a),(b) &(c) of Government Gazette No. 27636 issued on 30 May 2005 states that the notes to the annual financial statements of a municipality or municipal entity must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months.

Mamphela Waste Management (Pty) Ltd	-	282,460
Mpumanzi Group	-	385,549
Precision Engineering and Solutions	-	8,499
Imvelo Yethu our Nature Trading	27,000	-
	<b>27,000</b>	<b>676,508</b>

# Steve Tshwete Local Municipality

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### 53. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

#### Class

Emergency	17,580	1,106,847
Sole suppliers	792,637	977,328
Impractical or impossible to follow the process	443,473	3,164,842
	<u>1,253,690</u>	<u>5,249,017</u>

### 54. Budget differences

#### Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 10% are explained in the attached annexure to the annual financial statement.

#### Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to the statement of budget comparison.

The changes between the approved and final budget are a consequence of changes in the overall budget parameters. For details on these changes please refer to the statement of budget comparison.

### 55. In-kind donations and assistance

#### Nkangala District Municipality

Disaster management campaign	41,379	52,276
Emergency open day	-	409,058
HIV/AIDS campaign	110,811	54,495
MHS educations and awareness	55,902	43,620
EPWP Vukanethemba	-	75,700
SCM / Debtors verification system	456,000	420,000
Land survey	594,000	766,180
By laws Public transport and non-motorised	-	45,500
Moral Regeneration Steve Tshwete	175,395	-
Community Outreach Meetings Steve Tshwete	339,065	-
	<u>1,772,552</u>	<u>1,866,829</u>

